



**GRAPHEX**

Graphex Group Limited  
烯石電動汽車新材料控股有限公司

(Formerly known as Earthasia International Holdings Limited)

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6128

**2021** Interim Report



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# FINANCIAL HIGHLIGHTS

## FINANCIAL HIGHLIGHTS

| Results  | For the six months ended 30 June |          |        |
|--|----------------------------------|----------|--------|
|  | 2021                             | 2020     | Change |
|  | HK\$'000                         | HK\$'000 |        |
| Revenue  | <b>182,622</b>                   | 155,173  | +17.7% |
| Graphene products business   | <b>107,297</b>                   | 84,507   | +27.0% |
| Landscape architecture business  | <b>69,910</b>                    | 64,605   | +8.2%  |
| Catering   | <b>5,415</b>                     | 6,061    | -10.7% |
| Adjusted EBITDA*   | <b>31,670</b>                    | 32,052   | -1.19% |
| Graphene products business   | <b>23,951</b>                    | 19,149   | +25.1% |
| Landscape architecture business  | <b>6,654</b>                     | 10,556   | -37.0% |
| Catering   | <b>1,065</b>                     | 2,347    | -54.6% |
| Loss before tax  | <b>(71,659)</b>                  | (63,879) | +12.2% |
| Loss attributable to owners of the parent                                  | <b>(64,701)</b>                  | (49,146) | +31.7% |
|  | <b>HK cents</b>                  | HK cents |        |
| Basic loss per share attributable to ordinary equity holders of the parent | <b>(13.44)</b>                   | (10.19)  | +31.9% |

| Results                | At 30 June       | At 31 December | Change |
|------------------------|------------------|----------------|--------|
|                        | 2021             | 2020           |        |
|                        | HK\$'000         | HK\$'000       |        |
| Total assets           | <b>1,089,074</b> | 1,104,239      | -1.4%  |
| Net assets             | <b>143,960</b>   | 168,530        | -14.6% |
| Shareholder's equity   | <b>152,768</b>   | 171,517        | -10.9% |
| Cash and bank balances | <b>28,445</b>    | 37,709         | -24.6% |
| Debt                   | <b>551,949</b>   | 546,649        | +1.0%  |

\* Non-IFRS Measure

To supplement our consolidated financial statements which are presented in accordance with International Financial Reporting Standards ("IFRSs"), adjusted EBITDA is used as an additional financial measure throughout this interim report. The financial measure is presented because it is used by management to evaluate operating performance. The Company believes that non-IFRS measure may provide useful information to help investors and others understand and evaluate the Company's consolidated results of operations in the same manner as management and in comparing financial results across accounting periods and to those of our peer companies. However, non-IFRS financial measure does not have a standardised meaning prescribed by IFRSs and therefore may not be comparable to similar measures presented by other companies.

Adjusted EBITDA used herein is defined as earnings before interest expense, taxation, depreciation and amortisation, and excludes fair value change on financial assets at fair value through profit or loss, written off of goodwill, impairment losses of other intangible assets and property, plant and equipment, share of losses of associates and joint ventures and impairment losses on financial and contract assets and corporate expenses.

Please refer to note 4 to the consolidated financial statements in this interim report for reconciliation of loss before tax, an IFRS measure, to adjusted EBITDA.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lau Hing Tat Patrick  
Mr. Chan Yick Yan Andross  
Mr. Tian Ming  
Mr. Yang Liu  
Mr. Qiu Bin

### Non-executive Directors

Mr. Ma Lida  
Mr. Tu Wenzhe (appointed on 28 January 2021 and resigned on 5 August 2021)

### Independent non-executive Directors

Ms. Tam Ip Fong Sin  
Mr. Wang Yuncai  
Mr. Liu Kwong Sang  
Mr. Tang Zhaodong  
Mr. Chan Anthony Kaikwong

## COMPANY SECRETARY

Mr. Kwok Ka Hei

## REGISTERED OFFICE

Windward 3  
Regatta Office Park  
PO box 1350  
Grand Cayman KY1-1108  
Cayman Islands

## HEADQUARTER, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11/F COFCO Tower  
262 Gloucester Road  
Causeway Bay  
Hong Kong

## AUDIT COMMITTEE

Mr. Liu Kwong Sang (*Chairman*)  
Ms. Tam Ip Fong Sin  
Mr. Wang Yuncai  
Mr. Ma Lida

## REMUNERATION COMMITTEE

Ms. Tam Ip Fong Sin (*Chairlady*)  
Mr. Wang Yuncai  
Mr. Chan Yick Yan Andross

## NOMINATION COMMITTEE

Mr. Lau Hing Tat Patrick (*Chairman*)  
Mr. Wang Yuncai  
Ms. Tam Ip Fong Sin

## CORPORATE WEBSITE

[www.graphexgroup.com](http://www.graphexgroup.com)

## AUTHORISED REPRESENTATIVES

Mr. Kwok Ka Hei  
Mr. Chan Yick Yan Andross

## ALTERNATES TO AUTHORISED REPRESENTATIVES

Mr. Tian Ming  
Mr. Lau Hing Tat Patrick

## PRINCIPAL BANKERS

Bank of China (Hong Kong)  
Bank of Communication  
Industrial Bank Co., Ltd.  
The Bank of East Asia  
The Hongkong and Shanghai Banking

## PRINCIPAL SHARE REGISTRAR OFFICE

Ocorian Trust (Cayman) Limited  
Windward 3  
Regatta Office Park  
PO box 1350  
Grand Cayman KY1-1108  
Cayman Islands

## HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## ADR (LEVEL 1) PROGRAMME DEPOSITARY

Bank of New York Mellon  
(Ticker on OTCQX market : GRFX)

## INVESTOR RELATIONS

Email: [investrel@graphexgroup.com](mailto:investrel@graphexgroup.com)

## LEGAL ADVISER AS TO HONG KONG

Hastings & Co.

## AUDITOR

Crowe (HK) CPA Limited

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

|   | Notes | For the six months ended 30 June |                         |
|---|-------|----------------------------------|-------------------------|
|   |       | 2021                             | 2020                    |
|   |       | (Unaudited)<br>HK\$'000          | (Unaudited)<br>HK\$'000 |
| <b>REVENUE</b>  | 3     | <b>182,622</b>                   | 155,173                 |
| Cost of sales   |       | <b>(111,761)</b>                 | (90,264)                |
| <b>GROSS PROFIT</b>   |       | <b>70,861</b>                    | 64,909                  |
| Other income and gains  | 5     | <b>8,033</b>                     | 6,921                   |
| Selling and marketing expenses  |       | <b>(6,235)</b>                   | (8,017)                 |
| Administrative expenses   |       | <b>(100,317)</b>                 | (74,298)                |
| Impairment losses on financial and contract assets, net                         |       | <b>(10,460)</b>                  | (6,394)                 |
| Impairment loss of property, plant and equipment                                |       | <b>(3,926)</b>                   | (6,530)                 |
| Written off of goodwill   |       | —                                | (3,278)                 |
| Impairment loss of other intangible assets                                      |       | —                                | (10,844)                |
| Fair value loss on financial assets at fair value through profit or loss        |       | —                                | (1,182)                 |
| Finance costs   | 6     | <b>(29,439)</b>                  | (24,978)                |
| Share of losses of associates   |       | <b>(176)</b>                     | (188)                   |
| <b>LOSS BEFORE TAX</b>  | 7     | <b>(71,659)</b>                  | (63,879)                |
| Income tax credit   | 8     | <b>4,542</b>                     | 5,775                   |
| <b>LOSS FOR THE PERIOD</b>  |       | <b>(67,117)</b>                  | (58,104)                |
| Attributable to:  |       |                                  |                         |
| Owners of the parent  |       | <b>(64,701)</b>                  | (49,146)                |
| Non-controlling interests   |       | <b>(2,416)</b>                   | (8,958)                 |
|   |       | <b>(67,117)</b>                  | (58,104)                |
| <b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY<br/>EQUITY HOLDERS OF THE PARENT</b> | 10    |                                  |                         |
| Basic   |       |                                  |                         |
| – For loss for the period   |       | <b>HK(13.44) cents</b>           | HK(10.19) cents         |
| Diluted   |       |                                  |                         |
| – For loss for the period   |       | <b>HK(13.44) cents</b>           | HK(10.19) cents         |

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|   | For the six months ended 30 June |                                 |
|---|----------------------------------|---------------------------------|
|   | 2021<br>(Unaudited)<br>HK\$'000  | 2020<br>(Unaudited)<br>HK\$'000 |
| <b>LOSS FOR THE PERIOD</b>  | <b>(67,117)</b>                  | (58,104)                        |
| <b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>  |                                  |                                 |
| Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:    |                                  |                                 |
| Exchange differences on translation of foreign operations                                     | <b>8,492</b>                     | (15,722)                        |
|   | <b>8,492</b>                     | (15,722)                        |
| Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods | <b>8,492</b>                     | (15,722)                        |
| <b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>                           | <b>8,492</b>                     | (15,722)                        |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>  | <b>(58,625)</b>                  | (73,826)                        |
| Attributable to:  |                                  |                                 |
| Owners of the parent  | <b>(56,155)</b>                  | (64,901)                        |
| Non-controlling interests   | <b>(2,470)</b>                   | (8,925)                         |
|   | <b>(58,625)</b>                  | (73,826)                        |



# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   |       | 30 June 2021<br>(Unaudited)<br>HK\$'000 | 31 December 2020<br>(Audited)<br>HK\$'000 |
|---|-------|---|---|
|   | Notes |   |   |
| <b>NON-CURRENT ASSETS</b>   |       |   |   |
| Property, plant and equipment   |       | 80,699                                  | 92,507                                    |
| Goodwill  |       | 101,939                                 | 101,939                                   |
| Other intangible assets   |       | 622,130                                 | 639,336                                   |
| Investments in associates   | 11    | 689                                     | 854                                       |
| Equity investments designated at fair value<br>through other comprehensive income |       | 1,250                                   | 1,235                                     |
| Prepayments and deposits  |       | 2,166                                   | 3,387                                     |
| Deferred tax assets   |       | 3,942                                   | 2,475                                     |
| Total non-current assets  |       | 812,815                                 | 841,733                                   |
| <b>CURRENT ASSETS</b>   |       |   |   |
| Inventories   |       | 52,057                                  | 28,323                                    |
| Trade and bills receivables   | 12    | 117,465                                 | 69,808                                    |
| Prepayments, other receivables and other assets                                   |       | 36,302                                  | 72,347                                    |
| Contract assets   |       | 41,016                                  | 47,547                                    |
| Tax recoverable   |       | 556                                     | 556                                       |
| Pledged bank deposits   |       | 418                                     | 6,216                                     |
| Cash and cash equivalents   |       | 28,445                                  | 37,709                                    |
| Total current assets  |       | 276,259                                 | 262,506                                   |
| <b>CURRENT LIABILITIES</b>  |       |   |   |
| Trade payables  | 13    | 20,398                                  | 16,138                                    |
| Other payables and accruals   |       | 89,839                                  | 82,985                                    |
| Lease liabilities   |       | 10,307                                  | 11,182                                    |
| Interest-bearing borrowings   | 14    | 134,854                                 | 172,274                                   |
| Tax payable   |       | 34,968                                  | 34,357                                    |
| Dividends payable   |       | —                                       | 4   |
| Total current liabilities   |       | 290,366                                 | 316,940                                   |
| <b>NET CURRENT LIABILITIES</b>  |       | <b>(14,107)</b>                         | <b>(54,434)</b>                           |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                                      |       | <b>798,708</b>                          | <b>787,299</b>                            |

UNAUDITED INTERIM CONDENSED CONSOLIDATED  
STATEMENT OF FINANCIAL POSITION

|  | Notes | 30 June 2021<br>(Unaudited)<br>HK\$'000 | 31 December 2020<br>(Audited)<br>HK\$'000 |
|--|-------|---|---|
| <b>NON-CURRENT LIABILITIES</b>                     |       |   |   |
| Promissory note                                    | 15    | <b>306,879</b>                          | 298,089                                   |
| Convertible notes                                  | 16    | <b>24,558</b>                           | —   |
| Interest-bearing borrowings                        | 14    | <b>85,658</b>                           | 76,286                                    |
| Lease liabilities                                  |       | <b>57,920</b>                           | 62,197                                    |
| Consideration payable                              |       | <b>86,500</b>                           | 86,500                                    |
| Deferred tax liabilities                           |       | <b>93,233</b>                           | 95,697                                    |
| Total non-current liabilities                      |       | <b>654,748</b>                          | 618,769                                   |
| <b>NET ASSETS</b>                                  |       |   |   |
| <b>EQUITY</b>                                      |       |   |   |
| <b>Equity attributable to owners of the parent</b> |       |   |   |
| Share capital                                      | 17    | <b>4,883</b>                            | 4,823                                     |
| Treasury shares                                    | 17    | —                                       | (99)                                      |
| Other reserves                                     |       | <b>147,885</b>                          | 166,793                                   |
|  |       | <b>152,768</b>                          | 171,517                                   |
| <b>Non-controlling interests</b>                   |       | <b>(8,808)</b>                          | (2,987)                                   |
| <b>TOTAL EQUITY</b>                                |       | <b>143,960</b>                          | 168,530                                   |



# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

|   | Attributable to owners of the parent |                 |                        |                     |                  |                |                              |   |                               |                     |          |                           |              |
|---|--------------------------------------|-----------------|------------------------|---------------------|------------------|----------------|------------------------------|---|-------------------------------|---------------------|----------|---------------------------|--------------|
|   | Share capital                        | Treasury shares | *Share premium account | *Fair value reserve | *Capital reserve | *Reserve funds | *Share-based payment reserve | *Convertible notes-equity component reserve | *Exchange fluctuation reserve | *Accumulated losses | Total    | Non-controlling interests | Total equity |
|   | HK\$'000                             | HK\$'000        | HK\$'000               | HK\$'000            | HK\$'000         | HK\$'000       | HK\$'000                     | HK\$'000                                    | HK\$'000                      | HK\$'000            | HK\$'000 | HK\$'000                  | HK\$'000     |
| At 1 January 2021   |                                      |                 |                        |                     |                  |                |                              |   |                               |                     |          |                           |              |
| As previously reported                                    | 4,823                                | (99)            | 342,643                | (1,482)             | 5                | 10,701         | —                            | —   | 30,786                        | (215,860)           | 171,517  | (2,987)                   | 168,530      |
| Loss for the period                                       | —                                    | —               | —                      | —                   | —                | —              | —                            | —   | —                             | (64,701)            | (64,701) | (2,416)                   | (67,117)     |
| Other comprehensive loss for the period:                  |                                      |                 |                        |                     |                  |                |                              |   |                               |                     |          |                           |              |
| Exchange differences on translation of foreign operations | —                                    | —               | —                      | —                   | —                | —              | —                            | —   | 8,546                         | —                   | 8,546    | (54)                      | 8,492        |
| Total comprehensive loss for the period                   | —                                    | —               | —                      | —                   | —                | —              | —                            | —   | 8,546                         | (64,701)            | (56,155) | (2,470)                   | (58,625)     |
| Issue of convertible notes                                | —                                    | —               | —                      | —                   | —                | —              | —                            | 21,827                                      | —                             | —                   | 21,827   | —                         | 21,827       |
| Issue of shares upon conversion of convertible notes      | 60                                   | —               | 3,815                  | —                   | —                | —              | —                            | (2,363)                                     | —                             | —                   | 1,512    | —                         | 1,512        |
| Equity-settled share-based transactions                   | —                                    | 99              | 5,762                  | —                   | —                | —              | 8,206                        | —   | —                             | —                   | 14,067   | —                         | 14,067       |
| Dividend paid to non-controlling interests                | —                                    | —               | —                      | —                   | —                | —              | —                            | —   | —                             | —                   | —        | (3,351)                   | (3,351)      |
| At 30 June 2021 (Unaudited)                               | 4,883                                | —               | 352,220                | (1,482)             | 5                | 10,701         | 8,206                        | 19,464                                      | 39,332                        | (280,561)           | 152,768  | (8,808)                   | 143,960      |

\* These reserve accounts as at 30 June 2021 comprise the consolidated reserves of HK\$147,885,000 (31 December 2020: HK\$166,793,000) in the condensed consolidated statement of financial position.

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2021*

|  | Attributable to owners of the parent |                 |                        |                     |                  |                |                               |                     |          | Non-controlling interests | Total equity |
|--|--------------------------------------|-----------------|------------------------|---------------------|------------------|----------------|-------------------------------|---------------------|----------|---------------------------|--------------|
|  | Share capital                        | Treasury shares | *Share premium account | *Fair value reserve | *Capital reserve | *Reserve funds | *Exchange fluctuation reserve | *Accumulated losses | Total    |                           |              |
|  | HK\$'000                             | HK\$'000        | HK\$'000               | HK\$'000            | HK\$'000         | HK\$'000       | HK\$'000                      | HK\$'000            | HK\$'000 | HK\$'000                  | HK\$'000     |
| At 1 January 2020  |                                      |                 |                        |                     |                  |                |                               |                     |          |                           |              |
| As previously reported   | 4,823                                | (99)            | 342,643                | (1,818)             | 5                | 10,701         | (11,400)                      | (124,164)           | 220,691  | 456                       | 221,147      |
| Loss for the period  | —                                    | —               | —                      | —                   | —                | —              | —                             | (49,146)            | (49,146) | (8,958)                   | (58,104)     |
| Other comprehensive loss for the period:                                 |                                      |                 |                        |                     |                  |                |                               |                     |          |                           |              |
| Exchange differences on translation of foreign operations                | —                                    | —               | —                      | —                   | —                | —              | (15,755)                      | —                   | (15,755) | 33                        | (15,722)     |
| Total comprehensive loss for the period                                  | —                                    | —               | —                      | —                   | —                | —              | (15,755)                      | (49,146)            | (64,901) | (8,925)                   | (73,826)     |
| Derecognition of non-controlling interests upon disposal of a subsidiary | —                                    | —               | —                      | —                   | —                | —              | —                             | —                   | —        | 682                       | 682          |
| Release of exchange fluctuation reserve upon disposal of a subsidiary    | —                                    | —               | —                      | —                   | —                | —              | (28)                          | —                   | (28)     | —                         | (28)         |
| At 30 June 2020 (Unaudited)  | 4,823                                | (99)            | 342,643                | (1,818)             | 5                | 10,701         | (27,183)                      | (173,310)           | 155,762  | (7,787)                   | 147,975      |

\* These reserve accounts as at 30 June 2020 comprise the consolidated reserves of HK\$151,038,000 (31 December 2019: HK\$215,967,000) in the condensed consolidated statement of financial position.

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

|   | For the six months ended 30 June |                         |
|---|----------------------------------|-------------------------|
|   | 2021                             | 2020                    |
|   | (Unaudited)<br>HK\$'000          | (Unaudited)<br>HK\$'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                  |                         |
| Loss before tax   | (71,659)                         | (63,879)                |
| Adjustments for:  |                                  |                         |
| Finance costs   | 29,439                           | 24,978                  |
| Share of losses of associates   | 176                              | 188                     |
| Interest income   | (356)                            | (1,094)                 |
| Amortisation and depreciation   | 33,782                           | 34,674                  |
| Equity settled share-based payment expenses   | 14,067                           | —                       |
| Dividend income from equity instruments at fair value<br>through other comprehensive income | —                                | (245)                   |
| Loss/(gain) on disposal of property, plant and equipment                                    | 29                               | (499)                   |
| Impairment loss of property, plant and equipment  | 3,926                            | 6,530                   |
| Provision for impairment loss of trade receivables  | 5,967                            | 1,903                   |
| Provision for impairment loss of contract assets  | 4,042                            | 1,890                   |
| Impairment loss of other receivables and other assets                                       | 451                              | 2,601                   |
| Impairment loss of other intangible assets  | —                                | 10,844                  |
| Written off of goodwill   | —                                | 3,278                   |
| Fair value loss on financial assets at fair value through profit or loss                    | —                                | 1,182                   |
| Write-down of inventory   | —                                | 189                     |
| Exchange (gain)/loss  | (263)                            | 786                     |
| Gain on disposal of a subsidiary  | —                                | (710)                   |
|   | <b>19,601</b>                    | 22,616                  |
| Increase in inventories   | (23,411)                         | (4,579)                 |
| (Increase)/decrease in trade and bills receivables  | (52,665)                         | 15,176                  |
| Decrease/(increase) in contract assets  | 3,000                            | (4,675)                 |
| Decrease/(increase) in prepayments, deposits and other receivables                          | 37,481                           | (17,657)                |
| Increase/(decrease) in trade payables   | 4,090                            | (7,216)                 |
| Increase in other payables and accruals   | 4,288                            | 10,062                  |
| (Decrease)/increase in contract liabilities   | (3,810)                          | 8,530                   |
| <b>Cash (used in)/generated from operations</b>   | <b>(11,426)</b>                  | 22,257                  |
| Interest received   | 106                              | 13                      |
| Income tax received   | —                                | 275                     |
| Income tax paid   | (192)                            | (5,660)                 |
| <b>Net cash flows (used in)/generated from operating activities</b>                         | <b>(11,512)</b>                  | 16,885                  |

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2021*

|  | <b>For the six months ended 30 June</b> |                         |
|--|---|-------------------------|
|  | <b>2021</b>                             | 2020                    |
|  | <b>(Unaudited)<br/>HK\$'000</b>         | (Unaudited)<br>HK\$'000 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |   |                         |
| Interest received  | —                                       | 1,081                   |
| Placement of restricted bank deposits  | —                                       | (5,777)                 |
| Repayment of restricted bank deposits  | <b>5,803</b>                            | —                       |
| Purchases of items of property, plant and equipment                                  | <b>(539)</b>                            | (9,883)                 |
| Repayment of a loan from a joint venture   | <b>4,569</b>                            | 11,506                  |
| Loan advanced to joint ventures  | <b>(4,174)</b>                          | (7,070)                 |
| Repayment of a loan to an associate  | —                                       | 174                     |
| Loan advanced to an associate  | —                                       | (1,275)                 |
| Additions to other intangible assets   | —                                       | (1,587)                 |
| Dividend from equity instruments at fair value<br>through other comprehensive income | —                                       | 245                     |
| <b>Net cash flows generated from/(used in) investing activities</b>                  | <b>5,659</b>                            | (12,586)                |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |   |                         |
| Proceeds from issue of corporate bonds   | <b>8,000</b>                            | 78,500                  |
| Repayment of corporate bonds   | <b>(36,500)</b>                         | (55,500)                |
| Corporate bonds issue expense  | <b>(560)</b>                            | (5,145)                 |
| Proceeds from issue of convertible notes   | <b>46,500</b>                           | —                       |
| Proceeds from new bank loan  | <b>6,009</b>                            | —                       |
| New other borrowings   | —                                       | 21,000                  |
| Repayment of bank overdrafts   | <b>(3,445)</b>                          | (52,244)                |
| Interest paid  | <b>(6,590)</b>                          | (8,116)                 |
| Repayment of lease liabilities   | <b>(8,740)</b>                          | (6,507)                 |
| Dividend paid to shareholders  | <b>(4)</b>                              | —                       |
| Dividend paid to non-controlling interests   | <b>(3,351)</b>                          | —                       |
| Loan from a joint venture  | <b>909</b>                              | —                       |
| Repayment of a loan to joint ventures  | <b>(6,549)</b>                          | —                       |
| <b>Net cash flows used in financing activities</b>                                   | <b>(4,321)</b>                          | (28,012)                |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                                     |   |                         |
| Cash and cash equivalents at beginning of period                                     | <b>37,709</b>                           | 53,882                  |
| Effect of foreign exchange rate changes, net   | <b>910</b>                              | (2,288)                 |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                                    | <b>28,445</b>                           | 27,881                  |

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

## 1. CORPORATE AND GROUP INFORMATION

Graphex Group Limited (formerly known as Earthasia International Holdings Limited) (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 25 November 2013. The registered office address of the Company is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The principal activities of the Group are the business of processing and sale of graphite and graphene related products in Mainland China ("Graphene products business"), landscape architecture business mainly in Hong Kong and Mainland China and catering business in Mainland China.

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

### 2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2020. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

All intra-group transactions and balances have been eliminated on consolidation.

#### Going concern

During the period ended 30 June 2021, the Group incurred a loss attributable to owners of the parent of HK\$64,701,000 and, as at 30 June 2021, the Group's current liabilities exceeded its current assets by HK\$14,107,000. In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

When preparing the interim condensed consolidated financial statements as of 30 June 2021, the directors of the Company concluded that a going concern basis of preparation was appropriate after analysing the forecasted cash flows for the next twelve months from 30 June 2021 which indicates that the Group will have sufficient liquidity during the next twelve months from cash flows generated by operations and currently available fund. In preparing the forecasted cash flows analysis, the directors consider that the Company has entered into a subscription agreement with the subscriber for the issue of convertible notes and warrants up to the aggregate amount not exceeding USD15 million on 19 January 2021 and the Company has already issued and received proceeds of convertible notes with an aggregate amount of USD8.09 million. The analysis indicates that the Group will have the financial resources to settle borrowings and payables that will be due in the next twelve months.

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

(Continued)

### 2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised standards effective as of 1 January 2021 for the first time for the current period's financial information.

|   |  |
|---|--|
| Amendments to IFRS 9, IAS 39, IFRS 7,<br>IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform – Phase 2 |
| Amendments to IFRS 16                                       | Covid-19-Related Rent Concessions        |

The adoption of the above revised IFRSs has had no significant financial effect on these financial statements.

## 3. REVENUE

An analysis of revenue is as follows:

|  | For the six months ended 30 June |                         |
|--|----------------------------------|-------------------------|
|  | 2021                             | 2020                    |
|  | (Unaudited)<br>HK\$'000          | (Unaudited)<br>HK\$'000 |
| Type of goods or services                |                                  |                         |
| – Sales of graphene and related products | 107,297                          | 84,507                  |
| – Landscape architecture services        | 69,910                           | 64,605                  |
| – Catering revenue                       | 3,552                            | 4,250                   |
| – Catering management services           | 1,863                            | 1,811                   |
| <b>Total Revenue</b>                     | <b>182,622</b>                   | 155,173                 |
| Geographical markets                     |                                  |                         |
| – Mainland China                         | 169,785                          | 140,530                 |
| – Hong Kong                              | 12,406                           | 12,477                  |
| – Others                                 | 431                              | 2,166                   |
| <b>Total Revenue</b>                     | <b>182,622</b>                   | 155,173                 |
| Timing of revenue recognition            |                                  |                         |
| – Goods transferred at a point in time   | 107,297                          | 88,758                  |
| – Services transferred over time         | 75,325                           | 66,415                  |
| <b>Total Revenue</b>                     | <b>182,622</b>                   | 155,173                 |

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

## 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has identified the following three major reportable segments. Certain segments have been aggregated to form the following reportable segments:

- (a) Processing and sales of graphite and graphene related products (“Graphene products segment”);
- (b) Providing landscape architecture services (“Landscape architecture segment”); and
- (c) The catering business focuses on operation of restaurants (“Catering segment”).

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit/loss before tax except that finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, cash and bank balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment revenue is eliminated on consolidation. Intersegment sales and transfers are transacted with reference to the service prices used for sales made to third parties at the then prevailing market prices.



# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

## 4. OPERATING SEGMENT INFORMATION (Continued)

The following tables present revenue and profit/loss information for the Group's operating segments for the six months ended 30 June 2021 and 2020.

### Six months ended 30 June 2021 (Unaudited)

|                               | Graphene<br>products<br>business<br>HK\$'000 | Landscape<br>architecture<br>service<br>HK\$'000 | Catering<br>HK\$'000 | Total<br>HK\$'000 |
|-------------------------------|--|--|----------------------|-------------------|
| <b>Segment revenue</b>        |  |  |                      |                   |
| Revenue                       | 107,297                                      | 69,910   | 5,415                | 182,622           |
| <b>Segment results</b>        | <b>(4,719)</b>                               | <b>(9,850)</b>                                   | <b>(4,379)</b>       | <b>(18,948)</b>   |
| <i>Reconciliations:</i>       |  |  |                      |                   |
| Unallocated income and gains  |  |  |                      | 365               |
| Unallocated expenses          |  |  |                      | (26,574)          |
| Unallocated finance costs     |  |  |                      | (26,326)          |
| Share of losses of associates |  |  |                      | (176)             |
| Loss before tax               |  |  |                      | (71,659)          |
| Adjusted EBITDA (note (i))    | 23,951                                       | 6,654  | 1,065                | 31,670            |

### Six months ended 30 June 2020 (Unaudited)

|                               | Graphene<br>products<br>business<br>HK\$'000 | Landscape<br>architecture<br>service<br>HK\$'000 | Catering<br>HK\$'000 | Total<br>HK\$'000 |
|-------------------------------|--|--|----------------------|-------------------|
| <b>Segment revenue</b>        |  |  |                      |                   |
| Revenue                       | 84,507                                       | 64,605   | 6,061                | 155,173           |
| <b>Segment results</b>        | <b>(7,100)</b>                               | <b>379</b>                                       | <b>(25,433)</b>      | <b>(32,154)</b>   |
| <i>Reconciliations:</i>       |  |  |                      |                   |
| Unallocated income and gains  |  |  |                      | 2,007             |
| Unallocated expenses          |  |  |                      | (11,554)          |
| Unallocated finance costs     |  |  |                      | (21,990)          |
| Share of losses of associates |  |  |                      | (188)             |
| Loss before tax               |  |  |                      | (63,879)          |
| Adjusted EBITDA (note (i))    | 19,149                                       | 10,556   | 2,347                | 32,052            |

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

## 4. OPERATING SEGMENT INFORMATION (Continued)

The following tables present assets and liabilities information for the Group's operating segments as at 30 June 2021 and 31 December 2020.

### 30 June 2021 (Unaudited)

|  | Graphene<br>products<br>business<br>HK\$'000 | Landscape<br>architecture<br>service<br>HK\$'000 | Catering<br>HK\$'000 | Total<br>HK\$'000 |
|--|--|--|----------------------|-------------------|
| <b>Segment assets</b>                    | <b>920,967</b>                               | <b>177,441</b>                                   | <b>9,290</b>         | <b>1,107,698</b>  |
| <i>Reconciliations:</i>                  |  |  |                      |                   |
| Elimination of inter segment receivables |  |  |                      | (811,370)         |
| Unallocated assets                       |  |  |                      | 792,746           |
| <b>Total assets</b>                      |  |  |                      | <b>1,089,074</b>  |
| <b>Segment liabilities</b>               | <b>98,429</b>                                | <b>166,393</b>                                   | <b>76,176</b>        | <b>340,998</b>    |
| <i>Reconciliations:</i>                  |  |  |                      |                   |
| Elimination of inter segment payables    |  |  |                      | (811,370)         |
| Unallocated liabilities                  |  |  |                      | 1,415,486         |
| <b>Total liabilities</b>                 |  |  |                      | <b>945,114</b>    |

### 31 December 2020 (Audited)

|  | Graphene<br>products<br>business<br>HK\$'000 | Landscape<br>architecture<br>service<br>HK\$'000 | Catering<br>HK\$'000 | Total<br>HK\$'000 |
|--|--|--|----------------------|-------------------|
| <b>Segment assets</b>                    | <b>908,640</b>                               | <b>211,866</b>                                   | <b>21,768</b>        | <b>1,142,274</b>  |
| <i>Reconciliations:</i>                  |  |  |                      |                   |
| Elimination of inter segment receivables |  |  |                      | (87,592)          |
| Unallocated assets                       |  |  |                      | 49,557            |
| <b>Total assets</b>                      |  |  |                      | <b>1,104,239</b>  |
| <b>Segment liabilities</b>               | <b>93,555</b>                                | <b>77,287</b>                                    | <b>77,120</b>        | <b>247,962</b>    |
| <i>Reconciliations:</i>                  |  |  |                      |                   |
| Elimination of inter segment payables    |  |  |                      | (87,592)          |
| Unallocated liabilities                  |  |  |                      | 775,339           |
| <b>Total liabilities</b>                 |  |  |                      | <b>935,709</b>    |

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

## 4. OPERATING SEGMENT INFORMATION (Continued)

The following tables present other segment information for the Group's operating segments for the six months ended 30 June 2021 and 2020.

### Six months ended 30 June 2021 (Unaudited)

|  | Graphene<br>products<br>business<br>HK\$'000 | Landscape<br>architecture<br>service<br>HK\$'000 | Catering<br>HK\$'000 | Total<br>HK\$'000 |
|--|--|--|----------------------|-------------------|
| <b>Other segment information</b>                                   |  |  |                      |                   |
| Share of losses of associates<br>unallocated                       |  |  |                      | 176               |
| Impairment losses recognised<br>in the statement of profit or loss | —  | 10,009   | 4,377                | 14,386            |
| Depreciation and amortisation                                      | 26,147                                       | 6,009  | 935                  | 33,091            |
| <i>Reconciliation:</i>   |  |  |                      |                   |
| Unallocated  |  |  |                      | 691               |
| <b>Total</b>   |  |  |                      | <b>33,782</b>     |
| Income and gains allocated   | 133  | 7,333  | 202                  | 7,668             |
| Finance costs allocated  | 2,523  | 457  | 133                  | 3,113             |
| Fair value loss unallocated  |  |  |                      | —                 |
| Capital expenditure (note (ii))                                    | —  | 473  | —                    | 473               |
| <i>Reconciliation:</i>   |  |  |                      |                   |
| Unallocated  |  |  |                      | —                 |
| <b>Total</b>   |  |  |                      | <b>473</b>        |

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

## 4. OPERATING SEGMENT INFORMATION (Continued)

### Six months ended 30 June 2020 (Unaudited)

|  | Graphene<br>products<br>business<br>HK\$'000 | Landscape<br>architecture<br>service<br>HK\$'000 | Catering<br>HK\$'000 | Total<br>HK\$'000 |
|--|--|--|----------------------|-------------------|
| <b>Other segment information</b>                                   |  |  |                      |                   |
| Share of losses of associates<br>unallocated                       |  |  |                      | 188               |
| Impairment losses recognised<br>in the statement of profit or loss | —  | 3,793  | 23,442               | 27,235            |
| Depreciation and amortisation                                      | 23,837                                       | 6,122  | 4,024                | 33,983            |
| <i>Reconciliation:</i>   |  |  |                      |                   |
| Unallocated  |  |  |                      | 691               |
| <b>Total</b>   |  |  |                      | <b>34,674</b>     |
| Income and gains allocated   | 2  | 4,065  | 847                  | 4,914             |
| Finance costs allocated  | 2,412  | 262  | 314                  | 2,988             |
| Fair value loss unallocated  |  |  |                      | 1,182             |
| Capital expenditure (note (ii))                                    | 8,688  | 1,396  | 1,386                | 11,470            |
| <i>Reconciliation:</i>   |  |  |                      |                   |
| Unallocated  |  |  |                      | —                 |
| <b>Total</b>   |  |  |                      | <b>11,470</b>     |

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

## 4. OPERATING SEGMENT INFORMATION (Continued)

Note:

- (i) Adjusted EBITDA is defined as earnings before interest expense, taxation, depreciation and amortisation, and excludes fair value change on financial assets at fair value through profit or loss, written off of goodwill, impairment losses of other intangible assets and property, plant and equipment, share of losses of associates and joint ventures and impairment losses on financial and contract assets and corporate expenses.

A reconciliation of Adjusted EBITDA to consolidated loss before income tax is provided as follows:

|  | 30 June 2021<br>(Unaudited)<br>HK\$'000 | 30 June 2020<br>(Unaudited)<br>HK\$'000 |
|--|---|---|
| Loss before tax  | (71,659)                                | (63,879)                                |
| Add:   |   |   |
| Finance costs  | 29,439                                  | 24,978                                  |
| Amortisation and depreciation  |   |   |
| – property, plant and equipment  | 2,722                                   | 2,939                                   |
| – right-of-use assets  | 6,542                                   | 8,061                                   |
| – other intangible assets  | 24,518                                  | 23,674                                  |
| <b>EBITDA</b>  | <b>(8,438)</b>                          | <b>(4,227)</b>                          |
| Written off of goodwill  | —                                       | 3,278                                   |
| Impairment loss of property, plant and equipment   | 3,926                                   | 6,530                                   |
| Impairment loss of other intangible assets   | —                                       | 10,844                                  |
| Impairment loss of trade receivables, net  | 5,967                                   | 1,903                                   |
| Impairment loss of contract assets, net  | 4,042                                   | 1,890                                   |
| Impairment loss of other receivables, net  | 451                                     | 2,601                                   |
| Fair value changes on financial asset at fair value through profit or loss                 | —                                       | 1,182                                   |
| (Gain)/loss on disposal of items of property, plant and equipment                          | 29                                      | (499)                                   |
| Write-down of inventories to net realisable value  | —                                       | 189                                     |
| Share of losses of associates and joint ventures   | 176                                     | 188                                     |
| Corporate expenses   |   |   |
| – Directors and corporate staff salaries   | 17,577                                  | 5,010                                   |
| – Auditor's remuneration   | 679                                     | 322                                     |
| – Others   | 7,626                                   | 4,848                                   |
|  | <b>25,882</b>                           | <b>10,180</b>                           |
| Unallocated income and gains   |   |   |
| – Dividend income from equity investments at fair value through other comprehensive income | —                                       | (245)                                   |
| – Interest income  | (356)                                   | (1,050)                                 |
| – Gain on disposal of subsidiaries   | —                                       | (710)                                   |
| – Others   | (9)                                     | (2)                                     |
|  | <b>(365)</b>                            | <b>(2,007)</b>                          |
| <b>Adjusted EBITDA</b>   | <b>31,670</b>                           | <b>32,052</b>                           |

- (ii) Capital expenditure consists of additions to property, plant and equipment and other intangible assets except for right-of-use assets.

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

## 5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

|   | For the six months ended 30 June |                                 |
|---|----------------------------------|---------------------------------|
|   | 2021<br>(Unaudited)<br>HK\$'000  | 2020<br>(Unaudited)<br>HK\$'000 |
| <b>Other income</b>   |                                  |                                 |
| Service income  | 6,154                            | 1,375                           |
| Dividend income from equity instruments<br>at fair value through other comprehensive income | —                                | 245                             |
| Interest income   | 356                              | 1,094                           |
| Government grants (note)  | 862                              | 1,722                           |
|   | <b>7,372</b>                     | 4,436                           |
| <b>Gains</b>  |                                  |                                 |
| Gain on disposal of a subsidiary  | —                                | 710                             |
| Gain on disposal of property, plant and equipment   | —                                | 499                             |
| Others  | 661                              | 1,276                           |
|   | <b>661</b>                       | 2,485                           |
|   | <b>8,033</b>                     | 6,921                           |

Note:

Government grants were received from government departments for promoting the Group's business in the local area. There are no unfulfilled conditions or contingencies relating to these grants.

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

|   | For the six months ended 30 June |                                 |
|---|----------------------------------|---------------------------------|
|   | 2021<br>(Unaudited)<br>HK\$'000  | 2020<br>(Unaudited)<br>HK\$'000 |
| Interest on interest-bearing other borrowings | 12,784                           | 10,540                          |
| Interest on promissory note                   | 12,271                           | 11,587                          |
| Interest on lease liabilities                 | 2,905                            | 2,851                           |
| Interest on convertible notes                 | 1,457                            | —                               |
| Interest on bank loan                         | 22                               | —                               |
|   | <b>29,439</b>                    | 24,978                          |

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

## 7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

|   | For the six months ended 30 June |                                 |
|---|----------------------------------|---------------------------------|
|   | 2021<br>(Unaudited)<br>HK\$'000  | 2020<br>(Unaudited)<br>HK\$'000 |
| Cost of inventories   | 69,786                           | 64,184                          |
| Cost of services  | 41,975                           | 26,080                          |
| Cost of sales   | 111,761                          | 90,264                          |
| Amortisation and depreciation   | 33,782                           | 34,674                          |
| – property, plant and equipment   | 2,722                            | 2,939                           |
| – right-of-use assets   | 6,542                            | 8,061                           |
| – other intangible assets   | 24,518                           | 23,674                          |
| Research and development cost   | 12,937                           | 4,138                           |
| Lease payments for leases less than 12 months   | 706                              | 867                             |
| Auditor's remuneration  | 793                              | 322                             |
| Employee benefit expense (including directors and chief executive's remuneration):                          |                                  |                                 |
| – wages and salaries  | 53,304                           | 46,516                          |
| – equity-settled share-based payment expenses   | 11,688                           | —                               |
| – pension scheme contributions (defined contribution scheme)  | 8,978                            | 4,735                           |
| – welfare and other benefits  | 702                              | 610                             |
|   | 74,672                           | 51,861                          |
| Equity-settled share-based payment for services   | 2,379                            | —                               |
| Foreign exchange differences, net   | (263)                            | 786                             |
| Impairment loss of financial and contract assets  |                                  |                                 |
| – Impairment loss of trade receivables  | 5,967                            | 1,903                           |
| – Impairment loss of contract assets  | 4,042                            | 1,890                           |
| – (Reversal of)/Impairment loss of financial assets included in prepayments, deposits and other receivables | 451                              | 2,601                           |
|   | 10,460                           | 6,394                           |
| Fair value loss on financial assets at fair value through profit or loss                                    | —                                | 1,182                           |
| Written off of goodwill   | —                                | 3,278                           |
| Write-down of inventories to net realisable value*  | —                                | 189                             |
| Impairment loss of other intangible assets  | —                                | 10,844                          |
| Impairment loss of property, plant and equipment  | 3,926                            | 6,530                           |
| Loss/(gain) on disposal of property, plant and equipment  | 29                               | (499)                           |

\* The write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss.



# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

泛亞景觀設計 (上海) 有限公司 continued to be granted with the qualification of High and New Technology Enterprises ("HNTE") on 18 November 2020 and is entitled to a preferential corporate income tax rate of 15% (2020: 15%) for a period of three years ending 31 December 2022.

前海泛亞景觀設計 (深圳) 有限公司 has been provided at the rate of 15% (2020: 15%) on the estimated assessable profits as its main principal activities, of engaging in interior design and landscape, are recognised as encouraged industries in Qianhai district, Shenzhen in Mainland China.

黑龍江省牡丹江農墾碳奧石墨烯深加工有限公司 is qualified for High and New Technology Enterprises and is entitled to a preferential corporate income tax rate of 15% (2020:15%) for a period of three years ending 31 December 2021.

Other subsidiaries located in Mainland China were subject to corporate income tax at the statutory rate of 25% for the year (2020: 25%) under the income tax rules and regulations in the PRC.

Thai Gallery SRL is required to pay tax equivalent to 27.9% of taxable income, including 24% for the standard rate of Italy corporate tax ("IRES") and 3.9% for the Italian regional production tax rate ("IRAP").

|                                 | For the six months ended 30 June |                         |
|---------------------------------|----------------------------------|-------------------------|
|                                 | 2021                             | 2020                    |
|                                 | (Unaudited)<br>HK\$'000          | (Unaudited)<br>HK\$'000 |
| Current tax:                    |                                  |                         |
| Hong Kong                       | —                                | 295                     |
| Mainland China                  | 441                              | 1,792                   |
| Italy                           | —                                | 115                     |
|                                 | 441                              | 2,202                   |
| Deferred tax                    | (4,983)                          | (7,977)                 |
| Total tax credit for the period | (4,542)                          | (5,775)                 |

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

## 9. DIVIDEND

The board of directors of the Company does not recommend the payment of any interim dividend (six months ended 30 June 2020: nil) for the six months ended 30 June 2021.

## 10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent of HK\$64,701,000 (six months ended 30 June 2020: HK\$49,146,000), and the weighted average number of ordinary shares of 481,397,723 (six months ended 30 June 2020: 482,290,000) issued during the period.

|  | Number of shares                 |             |
|--|----------------------------------|-------------|
|  | For the six months ended 30 June |             |
|  | 2021                             | 2020        |
|  | (Unaudited)                      | (Unaudited) |
| <b>Shares</b>  |                                  |             |
| Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation | <b>481,397,723</b>               | 482,290,000 |

For the period ended 30 June 2021, no adjustment has been made to the basic loss per share amounts presented for the period in respect of a dilution as the impact of the share options and convertible notes outstanding had an anti-dilution effect on the basic loss per share amounts presented. No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2020 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the period ended 30 June 2020.

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

## 11. INVESTMENTS IN ASSOCIATES

|                     | <b>30 June<br/>2021<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2020<br>(Audited)<br>HK\$'000 |
|---------------------|--|--|
| Share of net assets | <b>689</b>   | 854  |

Particulars of the Group's associates are as follows:

| Name  | Particulars of<br>issued shares held/<br>paid-up capital | Place of<br>registration<br>and business | Percentage of         |                 |                   | Principal<br>activity                                      |
|---|--|--|-----------------------|-----------------|-------------------|--|
|   |  |  | Ownership<br>interest | Voting<br>power | Profit<br>sharing |  |
| 上海泰迪朋友投資管理有限公司<br>(Shanghai Teddy Friends<br>Investment Management<br>Limited#) ("Teddy") | Registered<br>capital of<br>RMB27,000,000                | Mainland China                           | 20                    | 20              | 20                | Investment<br>holding                                      |
| 蘇州蘇迪投資發展有限公司<br>(Suzhou Sudi Investment and<br>Development Limited#) ("Sudi")             | Registered<br>capital of<br>RMB28,000,000                | Mainland China                           | 10                    | 10              | 10                | Operating a<br>theme park<br>facility in<br>Mainland China |

Teddy and its subsidiary, Sudi, are indirectly held by the Company.

# The English names of these companies represent the best effort made by the management of the Company to directly translate their Chinese names as these companies do not register any official English name.

The Group has 20% equity interest in Teddy, and but the Group accounts for Teddy as an associate as the Group still has the significant influence on the board of directors as well as the operating and financial policies of this entity.

Teddy and Sudi, which are considered as associates of the Group, are accounted for using the equity method.

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 11. INVESTMENTS IN ASSOCIATES (Continued)

The following table illustrates the summarised financial information in respect of Teddy, adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

|  | Teddy Group                 |                                 |
|--|-----------------------------|---------------------------------|
|  | 30 June<br>2021<br>HK\$'000 | 31 December<br>2020<br>HK\$'000 |
| Current assets   | 7,336                       | 8,598                           |
| Non-current assets                                       | 32,191                      | 31,961                          |
| Current liabilities                                      | <b>(29,736)</b>             | (29,490)                        |
| Non-controlling interests                                | 5,799                       | 6,250                           |
| Equity attributable to the owners of the parent          | 3,993                       | 4,819                           |
| Reconciliation to the Group's interest in the associate: |                             |                                 |
| Proportion of the Group's ownership                      | 20%                         | 20%                             |
| Group's share of net assets of the associates            | 799                         | 964                             |
| Offset related party transactions                        | <b>(110)</b>                | (110)                           |
| Carrying amount of the investment                        | 689                         | 854                             |
| Revenue  | 338                         | 2,026                           |
| Loss for the year  | <b>(1,401)</b>              | (2,097)                         |
| Other comprehensive income                               | —                           | —                               |
| Total comprehensive loss for the year                    | <b>(1,401)</b>              | (2,097)                         |

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 12. TRADE AND BILLS RECEIVABLES

|   | <b>30 June<br/>2021<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2020<br>(Audited)<br>HK\$'000 |
|---|--|--|
| Trade and bills receivables                   | <b>172,848</b>                                       | 118,650                                      |
| Provision for lifetime expected credit losses | <b>(55,383)</b>                                      | (48,842)                                     |
|   | <b>117,465</b>                                       | 69,808                                       |

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is two months, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of trade and bills receivables as at the end of the reporting period, based on the invoice date, and net of allowance for lifetime expected credit losses, is as follows:

|                                 | <b>30 June<br/>2021<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2020<br>(Audited)<br>HK\$'000 |
|---------------------------------|--|--|
| Within 6 months                 | <b>100,475</b>                                       | 53,796                                       |
| Over 6 months but within 1 year | <b>11,648</b>  | 6,955  |
| Over 1 year but within 2 years  | <b>2,395</b>   | 7,472  |
| Over 2 years but within 3 years | <b>2,947</b>   | 1,585  |
|                                 | <b>117,465</b>                                       | 69,808                                       |

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 13. TRADE PAYABLES

An aged analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

|                                 | 30 June<br>2021<br>(Unaudited)<br>HK\$'000 | 31 December<br>2020<br>(Audited)<br>HK\$'000 |
|---------------------------------|--|--|
| Within 1 year                   | 14,542                                     | 10,775                                       |
| Over 1 year but within 2 years  | 2,267                                      | 2,880  |
| Over 2 years but within 3 years | 1,135                                      | 1,539  |
| Over 3 years                    | 2,454                                      | 944  |
|                                 | <b>20,398</b>                              | 16,138                                       |

The trade payables are non-interest-bearing and are normally settled within three months.

## 14. INTEREST-BEARING BORROWINGS

|                             |      | 30 June 2021 (Unaudited)          |          |          |
|-----------------------------|------|-----------------------------------|----------|----------|
|                             | Note | Effective<br>interest rate<br>(%) | Maturity | HK\$'000 |
| <b>Current</b>              |      |                                   |          |          |
| Bank loans                  |      | 4.785                             | 2022     | 6,009    |
| Other borrowing – unsecured | (a)  | 18                                | 2021     | 6,000    |
| Other borrowing – unsecured | (a)  | 12                                | 2021     | 965      |
| Other borrowing – unsecured | (a)  | 8                                 | 2021     | 4,507    |
| Other borrowing – unsecured | (a)  | 4                                 | 2021     | 2,079    |
|                             |      |                                   |          | 13,551   |
| Corporate bonds – unsecured | (b)  | 9                                 | 2021     | 5,000    |
| Corporate bonds – unsecured | (b)  | 9.13                              | 2021     | 73,936   |
| Corporate bonds – unsecured | (b)  | 10.04                             | 2021     | 36,358   |
|                             |      |                                   |          | 115,294  |
|                             |      |                                   |          | 134,854  |
| <b>Non-current</b>          |      |                                   |          |          |
| Other borrowing – unsecured | (a)  | Free                              | 2023     | 245      |
| Corporate bonds – unsecured | (b)  | 10.04                             | 2022     | 77,844   |
| Corporate bonds – unsecured | (b)  | 10.04                             | 2023     | 7,569    |
|                             |      |                                   |          | 85,413   |
|                             |      |                                   |          | 85,658   |

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 14. INTEREST-BEARING BORROWINGS (Continued)

| 31 December 2020                                  |       |                                   |                  |                |
|---|-------|-----------------------------------|------------------|----------------|
|   | Notes | Effective<br>interest<br>rate (%) | Maturity         | HK\$'000       |
| <b>Current</b>                                    |       |                                   |                  |                |
| Bank overdrafts                                   |       |                                   | <b>On demand</b> | <b>3,445</b>   |
| Other borrowing – unsecured                       | (a)   | <b>18</b>                         | <b>2020</b>      | <b>6,000</b>   |
| Other borrowing – unsecured                       | (a)   | <b>8</b>                          | <b>2021</b>      | <b>4,456</b>   |
| Other borrowing – unsecured                       | (a)   | <b>12</b>                         | <b>2021</b>      | <b>6,605</b>   |
| Other borrowing – unsecured                       | (a)   | <b>4.75</b>                       | <b>2021</b>      | <b>2,056</b>   |
| Current portion of corporate bonds<br>– unsecured | (b)   | <b>6-10.04</b>                    | <b>2021</b>      | <b>149,712</b> |
|   |       |                                   |                  | <b>172,274</b> |
| <b>Non-current</b>                                |       |                                   |                  |                |
| Corporate bonds – unsecured                       | (b)   | <b>10.04</b>                      | <b>2022</b>      | <b>76,041</b>  |
| Other borrowing – unsecured                       | (a)   | <b>Free</b>                       | <b>2023</b>      | <b>245</b>     |
|   |       |                                   |                  | <b>76,286</b>  |



# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 14. INTEREST-BEARING BORROWINGS (Continued)

The corporate bonds recognised in the consolidated financial statements are calculated as follows:

|  | HK\$6%<br>Corporate<br>Bonds<br>due 2019<br>HK\$'000 | HK\$6%<br>Corporate<br>Bonds<br>due 2020<br>HK\$'000 | HK\$6%<br>Corporate<br>Bonds<br>due 2021<br>HK\$'000<br>(note c) | HK\$9%<br>Corporate<br>Bonds<br>due 2021<br>HK\$'000 | HK\$6%<br>Corporate<br>Bonds<br>due 2021<br>HK\$'000<br>(note d) | HK\$6%<br>Corporate<br>Bonds<br>due 2021<br>HK\$'000<br>(note e) | HK\$6%<br>Corporate<br>Bonds<br>due 2022<br>HK\$'000<br>(note d) | HK\$6%<br>Corporate<br>Bonds<br>due 2023<br>HK\$'000<br>(note f) | Total<br>HK\$'000 |
|--|--|--|--|--|--|--|--|--|-------------------|
| Carrying amount  |  |  |  |  |  |  |  |  |                   |
| as at 1 January 2020   | 14,000   | 41,352   | 101,031  | 5,000  | 34,539   | —  | —  | —  | 195,922           |
| Issuance during the year   | —  | —  | —  | —  | —  | 5,000  | 79,500   | —  | 84,500            |
| Transaction costs  | —  | —  | —  | —  | —  | —  | (5,565)  | —  | (5,565)           |
| Repayment  | (14,000)   | (41,500)   | —  | —  | —  | —  | —  | —  | (55,500)          |
| Interest charged   | —  | 148  | 9,236  | 450  | 3,457  | 254  | 5,897  | —  | 19,442            |
| Interest paid and interest payable included in other payables and accruals | —  | —  | (6,331)  | (450)  | (2,220)  | (254)  | (3,791)  | —  | (13,046)          |
| Carrying amount  |  |  |  |  |  |  |  |  |                   |
| as at 31 December 2020   | —  | —  | 103,936  | 5,000  | 35,776   | 5,000  | 76,041   | —  | 225,753           |
| Carrying amount  |  |  |  |  |  |  |  |  |                   |
| as at 1 January 2021   | —  | —  | <b>103,936</b>   | <b>5,000</b>   | <b>35,776</b>  | <b>5,000</b>   | <b>76,041</b>  | —  | <b>225,753</b>    |
| Issuance during the year   | —  | —  | —  | —  | —  | —  | —  | <b>8,000</b>   | <b>8,000</b>      |
| Transaction costs  | —  | —  | —  | —  | —  | —  | —  | <b>(560)</b>   | <b>(560)</b>      |
| Repayment  | —  | —  | <b>(31,500)</b>  | —  | —  | <b>(5,000)</b>   | —  | —  | <b>(36,500)</b>   |
| Interest charged   | —  | —  | <b>4,349</b>   | <b>223</b>   | <b>1,683</b>   | <b>46</b>  | <b>4,831</b>   | <b>361</b>   | <b>11,493</b>     |
| Interest paid and interest payable included in other payables and accruals | —  | —  | <b>(2,849)</b>   | <b>(223)</b>   | <b>(1,101)</b>   | <b>(46)</b>  | <b>(3,028)</b>   | <b>(232)</b>   | <b>(7,479)</b>    |
| Carrying amount  |  |  |  |  |  |  |  |  |                   |
| as at 30 June 2021   | —  | —  | <b>73,936</b>  | <b>5,000</b>   | <b>36,358</b>  | —  | <b>77,844</b>  | <b>7,569</b>   | <b>200,707</b>    |

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 14. INTEREST-BEARING BORROWINGS (Continued)

Notes:

- (a) The Group's all other borrowings were unsecured, of which, HK\$6,586,000 (2020: HK\$6,512,000) was denominated in Renminbi with duration of one year from the date issued. HK\$6,965,000 (2020: HK\$12,605,000) and HK\$245,000 (2020: HK\$245,000) were denominated in Hong Kong dollars, with duration of two months to one year and five years, respectively, from the date issued.

The loans from joint ventures included in the Group's current liabilities of HK\$965,000 (2020: HK\$6,605,000) and HK\$4,507,000 (2020: HK\$4,456,000), carry interest at 12% and 8% per annum, respectively and are repayable within one year.

- (b) The Group's corporate bonds were denominated in Hong Kong dollars, with duration of one to two years from the date subscribed.
- (c) On 7 December 2018, the Company issued HK\$110,000,000 corporate bonds with a nominal value of HK\$110,000,000, of which HK\$105,500,000 was received in 2019. The bonds carry interest at a rate of 6%, which is accumulated daily on the 365 daily basis and payable annually after the period.
- (d) On 25 November 2019, the Company issued HK\$150,000,000 corporate bonds with a nominal value of HK\$150,000,000, of which HK\$79,500,000 and HK\$37,000,000 was received in 2020 and 2019, respectively. The bonds carry interest at a rate of 6%, which is accumulated daily on the 365 daily basis and payable annually after the period.
- (e) On 26 February 2020, the Company issued HK\$5,000,000 corporate bonds with a nominal value of HK\$5,000,000, of which HK\$5,000,000 was received in 2020. The bonds carry interest at a rate of 6% per annum and payable annually after the period.
- (f) On 6 January 2021, the Company issued HK\$8,000,000 corporate bonds with a nominal value of HK\$8,000,000, of which HK\$8,000,000 was received in 2021. The bonds carry interest at a rate of 6% per annum and payable annually after the period.
- (g) The effective interest rates of HK\$105,500,000 6% corporate bonds due in 2021 and HK\$124,500,000 6% corporate bonds due in 2021 and 2022 were 9.13% and 10.04%, respectively.

## 15. PROMISSORY NOTE

|  | 30 June<br>2021<br>(Unaudited)<br>HK\$'000 | 31 December<br>2020<br>(Audited)<br>HK\$'000 |
|--|--|--|
| At the beginning of the period                               | 298,089                                    | 281,307                                      |
| Issuance of promissory note (note (a))                       | —  | —  |
| Effective interest charged (note (b))                        | 12,271                                     | 23,743                                       |
| Interest payable and included in other payables and accruals | (3,481)                                    | (6,961)                                      |
| At the end of the period                                     | 306,879                                    | 298,089                                      |

Note:

- (a) On 7 August 2019, the Company issued 4 –year unsecured promissory note with nominal value of HK\$348,080,000 demoninated in Hong Kong dollars. The interest for the promissory note is 2% per annum. The effective interest rate of the promissory note is 8.4% per annum. The fair value of the promissory note at acquisition date was estimated to be approximately HK\$275 million.
- (b) The promissory note is measured at amortised cost using the effective rate method with the effective rate at 8.4% per annum.

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

## 16. CONVERTIBLE NOTES

The convertible notes recognised in the consolidated statement of financial position are bifurcated into two components for accounting purposes, namely the liability component and the equity component, and the movements in these components during the reporting period are as follows:

|   | Equity<br>component<br>HK\$'000 | Liability<br>component<br>HK\$'000 | Total<br>HK\$'000 |
|---|---------------------------------|------------------------------------|-------------------|
| As at 1 January 2021  | —                               | —                                  | —                 |
| Issue of convertible notes (note (a))                       | 21,827                          | 24,673                             | 46,500            |
| Effective interest charged (note (b))                       | —                               | 1,457                              | 1,457             |
| Interest payable and included in other payable and accruals | —                               | (60)                               | (60)              |
| Conversion to shares (note (c))                             | (2,363)                         | (1,512)                            | (3,875)           |
| At the 30 June 2021   | 19,464                          | 24,558                             | 44,022            |

Note:

- (a) Pursuant to the Subscription Agreement entered into between the Company and Lexinter International Inc. ("Lexinter") on 19 January 2021, the Company shall issue the Convertible Notes and Warrants in tranches up to the aggregate principal amount not exceeding the total Commitment of US\$15,000,000 (equivalent to HK\$116,250,000) but not less than the Minimum Commitment of US\$5,000,000 (equivalent to HK\$38,750,000) which are secured by the Share Charge. The initial conversion price is HK\$0.65 per conversion shares and the conversion note will bear the interest of 5.5% per annum and will be due on the second anniversary of their issue dates. The purchase of the Warrant at the price of US\$1.00 (equivalent to HK\$7.75). During the period ended 30 June 2021, the Company issued various Convertible Notes in tranches in an aggregate amount of US\$6,000,000 (HK\$46,500,000) to Lexinter and two assignees of the Lexinter, EMA Financial, LLC and Masan Multi Strategy Fund SPC — Masan Hong Kong Equity Fund ("Masan Fund").
- (b) The fair value of the convertible notes as a whole was HK\$46,500,000 on the issue date of each tranche of convertible notes which the fair value of the liability portion of the Convertible notes was HK\$24,672,689 and the equity portion was HK\$21,827,311. The convertible notes are measured at amortised cost using effective rate method with the effective rate at 1.05% to 4.74%. During the period ended June 30, 2021, HK\$356,000 interest was waived by Lexinter and its assignees.
- (c) On 5 March 2021, the convertible note of USD\$500,000 (equivalent HK\$3,875,000) was converted into 5,961,538 ordinary shares.

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 17. SHARE CAPITAL AND TREASURY SHARES

### Shares

|  | <b>30 June<br/>2021<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2020<br>(Audited)<br>HK\$'000 |
|--|--|--|
| Issued and fully paid<br>488,251,538 (2020: 482,290,000) ordinary shares | <b>4,883</b>   | 4,823  |

A summary of movements in the Company's share capital is as follows:

|  | <b>Number of<br/>issued and<br/>fully paid<br/>shares</b> | <b>Nominal<br/>value of<br/>shares<br/>HK\$'000</b> | <b>Share<br/>premium<br/>account<br/>HK\$'000</b> |
|--|---|---|---|
| As at 1 January 2021   | 482,290,000   | 4,823   | 355,685   |
| Issue of shares upon conversion of convertible notes<br>(note (a)) | 5,961,538   | 60  | 3,815   |
| As at 30 June 2021   | 488,251,538   | 4,883   | 359,500   |

Note:

- (a) On 5 March 2021, the Company allotted and issued a total of 5,961,538 conversion shares to Masan Fund, a convertible notes holder.

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

## 17. SHARE CAPITAL AND TREASURY SHARES (Continued)

### Treasury shares

A summary of movements in the Company's treasury shares is as follows:

|  | Number of<br>issued and<br>fully paid<br>shares | Nominal<br>value of<br>shares<br>HK\$'000 | Share<br>premium<br>account<br>HK\$'000 |
|--|---|---|---|
| As at 1 January 2021                                       | (9,881,275)                                     | (99)                                      | (13,042)                                |
| Granting of shares under the share award scheme (note (b)) | 9,931,275                                       | 99  | 5,762                                   |
| As at 30 June 2021   | 50,000  | —   | (7,280)                                 |

Note:

- (b) On 28 January 2021, 9,931,275 shares were granted, accepted and vested to certain directors and other participants. The fair value of the 9,931,275 shares at grant date was approximately HK\$5,859,000 (HK\$0.59 each). The fair value in excess of the par value of these shares of approximately HK\$5,762,000 was credited to the share premium account.

### Share award scheme

On 21 August 2014, the Company adopted a share award scheme. The specific objectives of the share award scheme are (i) to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

Subject to any early termination as may be determined by the board of directors of the Company (the "Board") pursuant to the rules of the share award scheme (the "Scheme Rules"), the share award scheme shall be valid and effective for a term of 10 years commencing on 21 August 2014.

The share award scheme shall be subject to the administration of the Company's board of directors (the "Board") and the trustee in accordance with the Scheme Rules and the trust deed as appointed by the Company. The trustee shall hold the trust fund in accordance with the terms of the trust deed.

The board of directors may from time to time cause to be paid the fund to the trust by way of settlement or otherwise contribution by the Company or any subsidiary as directed by the Board which shall constitute part of the trust fund, for the purchase of the Company's shares and other purposes set out in the Scheme Rules and the trust deed. Subject to the Scheme Rules, the Board may from time to time instruct the trustee in writing to purchase the Company's shares. Once purchased, the Company's shares are to be held by the trustee for the benefit of employees under the trust on and subject to the terms and conditions of the share award scheme and the trust deed. On each occasion, when the Board instructs the trustee to purchase the Company's shares, it shall specify the maximum amount of funds to be used and the range of prices at which such shares of the Company are to be purchased. The trustee may not incur more than the maximum amount of funds or purchase any shares of the Company at a price falling outside the range of prices so specified unless with the prior written consent of the Board.

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 17. SHARE CAPITAL AND TREASURY SHARES (Continued)

### Share award scheme (Continued)

Subject to the provision of the share award scheme, the Board may, from time to time at its absolute discretion, select any eligible person who contributes to the success of the Group's operations ("Eligible Person") other than those excluded for participation in the share award scheme, and grant awarded shares to the selected Eligible Person at no consideration in a number and on terms and conditions as it may determine at its absolute discretion.

Subject to the terms and conditions of the share award scheme and the fulfilment of all vesting conditions to the vesting of the awarded shares on such selected Eligible Person as specified in the share award scheme and the grant notice, the respective awarded shares held by the trustee on behalf of the selected Eligible Person pursuant to the provision hereof shall vest to such selected Eligible Person in accordance with the vesting schedule (if any) as set out in the grant notice, and the trustee shall cause the awarded shares to be transferred to such selected Eligible Person on the vesting date.

Prior to the vesting date, any award made pursuant to the share award scheme shall be personal to the selected Eligible Person to whom it is made and shall not be assignable and no selected Eligible Person shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the awarded shares referable to him/her pursuant to such award.

The Board may at its discretion, with or without further conditions, grant additional shares of the Company or cash award out of the trust fund representing all or part of the income or distributions (including but not limited to cash income or dividends, cash income or net proceeds from sales of non-cash and non-scrip distributions, bonus shares and scrip dividends) declared by the Company or derived from such awarded shares during the period from the date of award to the vesting date to a selected Eligible Person upon the vesting of any awarded shares.

On 28 January 2021, the Group granted an aggregate 9,931,275 shares to 10 selected participants pursuant to the Company Share Award Scheme. The vesting date of the shares was 28 January 2021.

## 18. SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was conditionally approved by the Company on 3 June 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations and the Share Option Scheme became effective on 25 June 2014. Eligible participants of the Share Option Scheme are the directors, including independent non-executive directors, of the Company and any entity in which the Group holds at least 20% of its shares (the "Invested Entity"), other employees of the Group or the Invested Entity, suppliers of goods or services to the Group or the Invested Entity, the customers of the Group or the Invested Entity, person that provides technological support to the Group or the Invested Entity, shareholders of the Group or the Invested Entity, holders of any securities issued by the Group or the Invested Entity, the advisor or consultant to the Group or the Invested Entity, and any non-controlling shareholder in the Company's subsidiaries.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue from time to time. The maximum number of shares issuable under share options to each eligible participant in the scheme within any 12-month period is limited to 1% of the shares of the Company in issue from time to time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 18. SHARE OPTION SCHEME (Continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors which shall not exceed ten years from the offer date subject to the provisions of early termination thereof.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheet on the offer date; (ii) the average of the closing prices of the shares as stated in the stock exchange's daily quotation sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of the shares on the offer date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 28 January 2021, 25,500,000 share options were granted, accepted and vested to certain directors and employees under the Share Option Scheme. The exercise price of the options is HK\$0.65. These share options granted were vested on 28 January 2021 with an exercise period from 28 January 2021 to 27 January 2026. The fair value at grant date is estimated using a binomial pricing model, taking into account the terms and conditions upon which the options were granted.

According to HKFRS 2, the fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using binomial pricing model, taking into account the terms and conditions upon which the options were granted.

The fair value of options granted during the six months ended 30 June 2021 was estimated on the date of grant using the following assumptions:

|  | Directors | Employee |
|--|-----------|----------|
| Dividend yield (%)                               | —         | —        |
| Expected volatility (%)                          | 73.28%    | 73.28%   |
| Risk-free interest rate (%)                      | 0.73%     | 0.73%    |
| Exercise multiple                                | 2.8       | 2.2      |
| Fair value of the share options (HK\$ per share) | 0.30      | 0.28     |

Since the binomial pricing model requires input of highly subjective assumptions, any change in the subjective input assumptions may materially affect the estimation of the fair value of an option.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

### 18. SHARE OPTION SCHEME (Continued)

There were 25,500,000 share options granted, accepted and vested to certain directors and employees during the six months ended 30 June 2021. The fair value of the share options granted during the six month ended 30 June 2021 was approximately HK\$7.7 million. For the six months ended 30 June 2021, the Group recognised share option expense of approximately HK\$7.7 million (30 June 2020: nil) in the statement of profit or loss.

At the end of the reporting period, the Company had 25,500,000 share options outstanding under the Share Option Scheme, which represented approximately 5.29% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 25,500,000 additional ordinary shares of the Company for a total cash proceeds of approximately HK\$16,575,000.

The table below disclose movement of share options granted under the Share Option Scheme:

| <b>Movement in share options</b>                      | <b>Exercise period</b>                | <b>Number of options</b> | <b>Exercise price</b> |
|---|---------------------------------------|--------------------------|-----------------------|
| As at 1 January 2021                                  |                                       | —                        | —                     |
| New share options granted under the scheme (note (a)) | 28 January 2021 to<br>27 January 2026 | 25,500,000               | HK\$0.65              |
| As at 30 June 2021                                    |                                       | 25,500,000               |                       |

Note:

- (a) On 28 January 2021, 25,500,000 share options were granted and accepted by certain eligible participants under the share option scheme. Each share options gives the holder the right to subscribe for one ordinary share of the Company. The share options were vested at 28 January 2021. No share options were exercised during the six months ended 30 June 2021 (2020: nil).



# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

## 19. MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the period:

|   | Note  | For the six months ended 30 June |                         |
|---|-------|----------------------------------|-------------------------|
|   |       | 2021                             | 2020                    |
|   |       | (Unaudited)<br>HK\$'000          | (Unaudited)<br>HK\$'000 |
| Loan to Earthasia Worldwide Holdings Limited ("EA Trading") | (i)   | —                                | 2,100                   |
| Loan to 大連鵬亞國際貿易有限公司 ("Dalian Trading")                     | (ii)  | —                                | 4,970                   |
| Loan to 上海奕桂品牌管理有限公司 ("Yigui")                              | (iii) | <b>4,569</b>                     | —                       |
| Loan from EA Trading  |       | <b>909</b>                       | —                       |
| Repayment of loan from EA Trading                           | (i)   | —                                | 6,315                   |
| Repayment of loan to Yigui                                  | (iii) | <b>4,174</b>                     | —                       |
| Repayment of loan to EA Trading                             |       | <b>6,549</b>                     | —                       |
| Interest income from EA Trading                             |       | —                                | 156                     |
| Repayment of loan from Dalian Trading                       | (ii)  | —                                | 5,191                   |
| Interest income from Dalian Trading                         |       | —                                | 35                      |
| Interest income from Yigui                                  |       | <b>76</b>                        | —                       |
| Interest expenses to EA Trading                             |       | <b>39</b>                        | —                       |
| Interest expenses to Yigui                                  |       | <b>176</b>                       | —                       |

- (i) The Group granted a revolving loan in aggregate of HK\$2,100,000 during the period ended 30 June 2020 to EA Trading, a joint venture of the Group, to support its business operation with a one-year term which is unsecured and bears interest at 12% per annum (six months ended 30 June 2020: 12%). The revolving loan at all times with a balance did not exceed HK\$50,000,000.
- (ii) The Group entered into the loan agreements with Dalian Trading during 2020, and the total principals amounted to RMB4,500,000 at 12% interest rate per annum.
- (iii) The Group granted short-term loan in aggregate of RMB3,810,000 to Yigui, a joint venture of the Group during the year. The interest rate was 8% per annum. The outstanding balance of the loan was RMB1,480,000 as at 30 June 2021.

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

## 20. EVENTS AFTER THE REPORTING PERIOD

On 1 August 2021, Chengdu Taihaowei Catering Co. Ltd., an indirect non-wholly owned subsidiary of the Company, which is engaged in catering business through operating a Thai cuisine restaurant in the mainland China has decided to cease its operations due to its ongoing loss-making position coupled with weakened demand of customers and uncertain business prospects since the outbreak of the novel coronavirus pandemic.

On 4 August 2021, the Company has submitted a draft registration statement Form F-1 on a confidential basis with the U.S. Securities and Exchange Commission ("SEC") in relation to the proposed initial public offering of its American Depositary Shares ("ADS") representing its ordinary shares in the United States (the "Offering"). The number of ADS to be offered and the price range for the Offering have not yet been determined. The Offering is subject to the registration statement being declared effective and the approval by The Stock Exchange of Hong Kong Limited in compliance with the requirements under the Listing Rules. The Company intends to apply for the listing of the ADS on Nasdaq Capital Market if the conditions for such listing are satisfied.

## 21. COMPARATIVE FIGURES

Certain comparative information has been restated to conform with the current period's presentation.

## 22. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The financial statements were approved and authorised for issue by the board of directors on 30 August 2021.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

This year, the Company has changed its name to Graphex Group Limited to appropriately reflect the corporate mission of developing technologies and processes for the enhancement of renewable energy. The graphene products business of the Group continued to be the major contributor of revenues to the Group during the reporting period. While the landscape architecture business of the Group remains steady, the catering business has been adversely affected by the COVID-19 pandemic. Following the shutdown of catering business in Italy in 2020, the revenues of the Group were derived from PRC and Hong Kong only.

### Graphene Products Business

For the six months ended 30 June 2021, the graphene products business contributed revenue of approximately HK\$107.3 million, representing approximately 58.8% of the Group's total revenue, with an adjusted EBITDA of approximately HK\$24.0 million. Comparing to the six months ended 30 June 2020, the revenue and the adjusted EBITDA increased by approximately 27% and 25% respectively.

The main product of graphene products business is natural spherical graphite which is an essential material to produce anodes of lithium-ion batteries for electric vehicles and energy storage systems. In addition to our production facilities in Jixi, Heilongjiang, PRC, the Group has implemented its 3-year plan to increase its production capacity to 40,000 tons by implementing new production facilities in Qitaihe, Heilongjiang, PRC. The Group has also set up a company in the United States of America, namely Graphex Technologies, LLC., to explore business opportunities outside of PRC.

The Group has continued to invest in research and development of new technologies to enhance its graphene products. During the reporting period, the graphene products segment has spent HK\$10.7 million in research and development which represents approximately 10.0% of the revenue of the graphene products business.

The demand for spherical graphite will be driven by the growing popularity of electric vehicles, grid energy storage systems and other applications which use batteries as power sources. It is a great opportunity for the Group to further develop its graphene products business to become one of the major players in the industry.

### Landscape Architecture Business

The Group maintains its market position as one of the leading landscape architecture providers predominantly in the PRC and Hong Kong. It offers landscape architecture services to clients including governments, private property developers, state-owned property developers, design services companies and engineering companies in the PRC and Hong Kong.

The revenue of the Group's landscape architecture segment increased to approximately HK\$69.9 million for the six months ended 30 June 2021, representing an increase of approximately 8.2%, as compared with that of approximately HK\$64.6 million for the six months ended 30 June 2020. The increase in revenue was primarily due to the fact that the progress of landscape architecture projects, as well as billings, were speed up in the first half of 2021, picking up from what have been slowed down by COVID-19 pandemic in 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2021, the Group entered into 49 new contracts with a total contract sum of approximately HK\$58.9 million for projects located in the PRC and 20 new contracts with a total contract sum of approximately HK\$9 million for projects located in Hong Kong. Geographically, approximately 86.7% of the new contract sum represented projects located in the PRC and approximately 13.3% represented projects located in Hong Kong in terms of contract sum.

The number of new contracts and contract sum entered by the Group compared with last reporting period are set out as follows:

| Six months ended 30 June | No. of new contracts | Contract sum<br>(HK\$'million) |
|--------------------------|----------------------|--------------------------------|
| 2021                     | 69                   | 67.9                           |
| 2020                     | 64                   | 144.2                          |

The new contract sum decreased to approximately HK\$67.9 million for the six months ended 30 June 2021, representing an decrease of approximately 52.9%, as compared with that of approximately HK\$144.2 million for the last reporting period mainly due to an one-off large project recorded in last period.

### Catering Business

The Group's catering business is mainly represented by Carbonaphene Holdings Limited and its subsidiaries which included Thai Gallery restaurants serving Thai cuisine in the PRC and provision of management services to restaurant. The Group's catering revenue decreased to approximately HK\$5.4 million for the six months ended 30 June 2021, representing a decrease of approximately 10.7%, as compared with that of approximately HK\$6.1 million for the six months ended 30 June 2020. The catering segment contributed approximately 3% of the Group's total revenues. The decrease in revenue from the catering segment was mainly due to cease and/or downscale of operation of restaurants in China due to the continuous deterioration in market environment since the outbreak of the COVID-19 pandemic.

The COVID-19 pandemic has had a significant impact across our catering business since 2020. As a result, we discontinued operations of our restaurant in Chengdu, China in August 2021. We currently only provide management services to one restaurant in Shanghai. We do not intend to further expand the catering business.

## FINANCIAL REVIEW

### Revenue

The Group's total revenue rose to approximately HK\$182.6 million in first half of 2021, compared with HK\$155.2 million for the six months ended 30 June 2020, representing year-on-year growth of approximately 17.7%.

In line with the new direction of the Group, during the reporting period the Group exhibited strong growth, driven by the graphene products segment. The graphene products segment contributed revenue of approximately HK\$107.3 million, representing an increase of approximately 27%, compared with HK\$84.5 million for the six months ended 30 June 2020. The landscape architecture segment contributed revenue of approximately HK\$69.9 million, representing an increase of approximately 8.2%, compared with HK\$64.6 million for the six months ended 30 June 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Cost of sales

Cost of sales increased to approximately HK\$111.8 million for the six months ended 30 June 2021, representing an increase of approximately 23.8%, as compared with that of approximately HK\$90.3 million for the same period in 2020.

Cost of sales mainly represented cost of inventories in respect of graphene products business and catering business and project staff cost in respect of landscape architecture segment. The increase in cost of sales was in line with the increase in revenue derived from graphene products segment and landscape architecture segment.

## Gross profit and gross profit margin

Gross profit increased to approximately HK\$70.9 million for the six months ended 30 June 2021, representing an increase of approximately 9.2%, as compared with that of approximately HK\$64.9 million for the same period in 2020.

Gross profit margin decreased to approximately 38.8% for the six months ended 30 June 2021, as compared with that of approximately 41.8% for the same period in 2020. The slight decrease was mainly attributable to the slowdown of new contract sum awarded in landscape architecture segment.

## Selling and marketing expenses

Selling and marketing expenses decreased to approximately HK\$6.2 million for the six months ended 30 June 2021, representing a decrease of approximately 22.2%, as compared with that of approximately HK\$8.0 million for the same period in 2020. The decrease was mainly due to the downscale of catering business.

## Administrative expenses

Administrative expenses increased to approximately HK\$100.3 million for the six months ended 30 June 2021, representing an increase of approximately 35.0%, as compared with that of approximately HK\$74.3 million for the same period in 2020. The increase was mainly due to (i) the increase in share-based payment expenses including share options granted and share awards to directors, employees and consultants in 2021 while no such share-based payment expenses in 2020; (ii) the increase in research and development cost for new graphene products, and (iii) increase in auditors' remuneration and professional fees in relation to the proposed initial public offering in the United States.

## Impairment loss on financial and contract assets

The impairment loss, which represented impairment loss of trade receivables, contract assets, and other receivables, increased to approximately HK\$10.5 million for the six months ended 30 June 2021, representing an increase of approximately 63.6%, as compared with that of approximately HK\$6.4 million for the same period in 2020. The increase mainly reflected the Group's increase in credit loss under the less favourable market and economic environment which negatively affected the Group's collectability on financial and contract assets related to landscape architecture segment.

## Impairment loss of property, plant and equipment

Impairment loss of property, plant and equipment decreased to approximately HK\$3.9 million for the six months ended 30 June 2021, representing a decrease of approximately 39.9%, as compared with that of approximately HK\$6.5 million for the same period in 2020. The impairment loss for the six months ended 30 June 2021 was arisen from the cease of operations of a restaurant in Chengdu, China in August 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Impairment loss of Goodwill and Other Intangible Assets

There was a reduction of impairment loss on goodwill and other intangible assets in 2021 since the negative impact of COVID-19 had on the Group's catering segment was reflected in 2020. Details of the impairment loss are set out as follows:

|  | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--|------------------|------------------|
| Goodwill   | —                | 3,278            |
| Intangible assets                                      | —                | 10,844           |
| Financial assets at fair value through profit and loss | —                | 1,182            |
| <b>Total</b>   | <b>—</b>         | <b>15,304</b>    |

### Net loss

As a result of the foregoing, the loss attributable to owners of the Company was approximately HK\$64.7 million for the six months ended 30 June 2021, as compared with that of a loss attributable to owners of the Company of approximately HK\$49.1 million for the same period in 2020.

### Liquidity, financial resources and gearing

The Group's objectives for capital management are to safeguard the Group's ability to continue as a going concern in order to maintain an optimal capital structure and reduce the cost of capital, while maximizing the return to shareholders through improving the debt and equity balance.

|                     | As at<br>30 June<br>2021<br>HK\$'000 | As at<br>31 December<br>2020<br>HK\$'000 |
|---------------------|--------------------------------------|--|
| Current assets      | <b>276,259</b>                       | 262,506                                  |
| Current liabilities | <b>290,366</b>                       | 316,940                                  |
| Current ratio       | <b>0.95x</b>                         | 0.8x                                     |

The current ratio of the Group at 30 June 2021 was approximately 0.95 times as compared to that of approximately 0.8 times at 31 December 2020 as a result of the convertible notes issued which allowed the Company to redeem the mature debt securities.

# MANAGEMENT DISCUSSION AND ANALYSIS

At 30 June 2021, the Group had total cash and bank balances of approximately HK\$28.4 million (31 December 2020: HK\$37.7 million).

At 30 June 2021, the Group's gearing ratio (represented by total interest-bearing bank and other borrowings at the end of the period divided by total equity at the end of the respective period multiplied by 100%) was approximately 383.4% (31 December 2020: 324.4%).

The capital structure of the Company mainly comprises issued ordinary shares and debt securities. As of 30 June 2021, the Company had outstanding issued corporate bonds of approximately HK\$200.7 million, issued promissory notes of approximately HK\$306.9 million, issued convertible notes (as liability) of approximately HK\$24.6 million and 488,251,538 ordinary shares in issue.

## Contingent liabilities

The Group had no significant contingent liabilities as at 30 June 2021.

## Pledge of assets

On 19 January 2021, Think High Global Limited, an indirect wholly-owned subsidiary of the Company established under the laws of the British Virgin Islands, which directly holds 100% of the equity interest of the graphene products business was charged in favour of Lexinter International Inc., a corporation incorporated under the laws of the Province of Ontario which is wholly owned by Jeffrey Abramovitz, an individual carrying Canadian nationality, who shall subscribe the convertible notes and warrants issued by the Company in the aggregate principal amount of US\$15,000,000 pursuant to the subscription agreement and supplemental agreement entered into on 19 January 2021 and 24 May 2021 respectively.

More details of the pledge were set out in the announcements of the Company dated 19 January 2021 and 24 May 2021, and circular of the Company dated 30 June 2021.

## Capital commitment

The Group had no significant capital commitment as of 30 June 2021.

## Foreign exchange exposure

The Group mainly operates and invests in Hong Kong and the PRC and most of the transactions are denominated and settled in HKD and RMB. No significant foreign currency risk has been identified for the financial assets in the PRC as they were basically denominated in a currency same as the functional currencies of the group entities to which these transactions relate. Nevertheless, the Directors will closely monitor the Group's foreign currency position and consider natural hedge technique to manage its foreign currency exposures by non-financial methods, managing the transaction currency, leading and lagging payments, receivables management, etc. Save for meeting working capital needs, the Group only holds minimum foreign currency.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Human resources and employees' remuneration**

As at 30 June 2021, the Group had 472 employees. Employees are remunerated according to nature of the job, market trend, and individual performance. Employee bonus is distributable based on the performance of the respective subsidiaries and the employees concerned.

The Group offers competitive remuneration and benefit package to employees. Employee benefits include mandatory provident fund, employee pension schemes in the PRC, contributions to social security system, medical coverage, insurance, training and development programs.

A share option scheme (the "Share Option Scheme") was adopted by the Company on 3 June 2014 and became effective on 25 June 2014. During the six months ended 30 June 2021, 25,500,000 share options were granted, accepted and vested to certain directors and employees (six months ended 30 June 2020: nil) under the Share Option Scheme.

On 21 August 2014, the Company adopted a share award scheme (the "Share Award Scheme"). The principal objectives of the Share Award Scheme are (i) to recognise the contributions by employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. Details of the Share Award Scheme were set out in the announcements of the Company dated 21 August 2014, 5 January 2015 and 7 September 2015.

On 19 January 2021, Earthasia (International) Limited, an indirect wholly-owned subsidiary of the Company, also adopted a share award scheme (the "EIL Share Award Scheme"). The purposes and objectives of the EIL Share Award Scheme are to recognise the contributions made or to be made by certain participants and to provide them with incentives in order to retain them for the continual operation and development of the Earthasia (International) Limited group and to attract suitable personnel for further development of the Earthasia (International) Limited group. Details of the EIL Share Award Scheme were set out in the announcement of the Company dated 19 January 2021.



# MANAGEMENT DISCUSSION AND ANALYSIS

## ADVANCES TO AN ENTITY

As disclosed in the announcements of the Company dated 20 September 2016, 24 January 2017, 8 December 2017 and 25 June 2019 (the “Announcements”), the Company as the Lender entered into a loan agreement (the “Loan Agreement”) on 25 June 2019 with the borrower pursuant to which the Lender agreed to provide an unsecured revolving loan facility (the “Revolving Loan Facility”) in the amount of HK\$50,000,000 at an interest rate of 12% per annum during the availability period from 25 June 2019 to 31 December 2021. Subject to the terms and conditions, the Revolving Loan Facility can be drawn down at any time for one year during the availability period. Set out below are the principal terms of the loan agreement:

| <b>Third<br/>Renewal Agreement</b> |  |
|------------------------------------|--|
| Date of agreement:                 | 25 June 2019   |
| Borrower:                          | Earthasia Worldwide Holdings Limited   |
| Revolving facility amount:         | Up to HK\$50,000,000   |
| Interest rate per annum:           | 12%  |
| Availability period:               | 25 June 2019 to 31 December 2021   |
| Repayment term:                    | One year   |
| Repayment:                         | Borrower shall repay the interests with the principal amount at loan maturity  |
| Early repayment:                   | The Borrower may prepay all or any part of a drawdown prior to the maturity date without penalty. Any prepayment of a drawdown will refresh the available amount of the Revolving Loan Facility for drawing. Any early repayment shall first settle all interests accrued. |
| Collateral:                        | Nil  |
| Other terms and conditions:        | The Lender shall have absolute discretion as to whether to make available any sum for any drawdown under the loan agreement.   |

The advance was made on the basis of the Company’s credit assessments on the Borrower’s financial strength, repayment history and the tenure of the advance. The Company considered that the risks and return involved in the advance to the Borrower are justifiable. For further details, please refer to the Announcements. As of 30 June 2021, there was zero outstanding loan balance due from the Borrower group to the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

In relation to the provision of financial assistance by the Company to the Borrower, a combined statement of financial position of the Borrower group as at 30 June 2021 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

| <b>2021</b>   | <b>HK\$'000</b> |
|---|-----------------|
| Cash and cash equivalents                                     | 899             |
| Other current assets  | 21,126          |
| <b>Current assets</b>   | <b>22,025</b>   |
| Non-current assets  | 131             |
| Current liabilities   | (55,670)        |
| Non-current liabilities                                       | (2,822)         |
| <b>Net assets/(deficiency in assets)</b>                      | <b>(36,336)</b> |
| Reconciliation to the Group's interests in the joint venture: |                 |
| Proportion of the Group's ownership                           | 30%             |
| Carrying amount of the investment                             | —               |
| Revenue   | 27,006          |
| Interest expense  | (2,764)         |
| Loss for the year   | (4,880)         |
| <b>Loss and total comprehensive loss for the year</b>         | <b>(4,880)</b>  |

### **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save for those disclosed in this interim report, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries during the period under review. Apart from those disclosed in this interim report, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this interim report.

### **ISSUE OF CONVERTIBLE NOTES AND USE OF PROCEEDS**

For the purpose of settling the debt instruments due in 2021 issued by the Company and the development of the Group's graphene products business, the Company has been engaging in fund raising exercise in Hong Kong and in the United States. On 19 January 2021, the Company and Lexinter International Inc. (the "Subscriber") entered into the subscription agreement for the subscription of convertible notes. On 24 May 2021, the Company and the Subscriber entered into the supplemental agreement to amend certain terms and conditions of the subscription agreement.

## MANAGEMENT DISCUSSION AND ANALYSIS

The principal terms of the convertible notes pursuant to the subscription agreement, as amended by the supplemental agreement, are as follow:

|   |   |   |
|---|---|---|
| Aggregate principal amount of the convertible notes | : | US\$15,000,000  |
| Principal amount issued during the reporting period | : | First Note — US\$500,000<br>Other Initial Notes — US\$5,500,000   |
| Issue price   | : | 100% of the principal amount  |
| Maturity date                                       | : | The date falling on the second (2nd) anniversary of the date of issue of the convertible notes  |
| Interest rate                                       | : | 5.5% per annum  |
| Conversion period                                   | : | The period commencing on the issue date of the convertible notes to the close of business in Hong Kong on the date falling one business day prior to the maturity date (both days inclusive). |
| Conversion price                                    | : | Initially at HK\$0.65 per conversion share (subject to adjustment)  |

During the six months ended 30 June 2021, the Company and the Subscriber had closed the First Note of the amount of US\$500,000 and nine Other Initial Notes with an aggregate amount of US\$5,500,000 under the general mandate. Set out below is a table showing the dates of the closing of the First Note and the nine Other Initial Notes and their respective noteholders:-

| Description        | Issue date      | Principal amount (US\$) | Name of noteholder           |
|--------------------|-----------------|-------------------------|------------------------------|
| First Note         | 1 February 2021 | 500,000                 | The Subscriber               |
| Other Initial Note | 1 March 2021    | 500,000                 | EMA ( <i>Note 1</i> )        |
| Other Initial Note | 1 March 2021    | 500,000                 | Masan Fund ( <i>Note 2</i> ) |
| Other Initial Note | 15 March 2021   | 500,000                 | The Subscriber               |
| Other Initial Note | 12 April 2021   | 500,000                 | The Subscriber               |
| Other Initial Note | 26 April 2021   | 500,000                 | The Subscriber               |
| Other Initial Note | 10 May 2021     | 500,000                 | The Subscriber               |
| Other Initial Note | 27 May 2021     | 1,250,000               | The Subscriber               |
| Other Initial Note | 7 June 2021     | 750,000                 | The Subscriber               |
| Other Initial Note | 30 June 2021    | 500,000                 | The Subscriber               |

### Notes

1. EMA is an assignee of the Subscriber under the Subscription Agreement to be the holder of the Other Initial Note for the principal amount of US\$500,000 subscribed by the Subscriber. To the best of the Director's information, EMA is 100% owned by Felicia Preston.
2. Masan Fund is an assignee of the Subscriber under the Subscription Agreement to be the holder of the Other Initial Note for the principal amount of US\$500,000 subscribed by the Subscriber. To the best of the Director's information, Masan Fund is ultimately owned as to 55% by Hui Nok Yi, 25% by Liem Chi Kit Kevin and 20% by Yau Wai Chung.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2021, the net proceeds raised from the convertible notes issued was approximately US\$5.9 million (equivalent to approximately HK\$45.5 million). The intended use, utilised and remaining balance of the net proceeds as of 30 June 2021, respectively, are summarised below:

| <b>Uses</b>                               | <b>Intended use<br/>HK\$ million</b> | <b>Utilised net<br/>proceeds up to<br/>30 June 2021<br/>HK\$ million</b> | <b>Remaining<br/>balance as of<br/>30 June 2021<br/>HK\$ million</b> |
|---|--------------------------------------|--|--|
| Redemption of outstanding debt securities | 34.1                                 | 35.3   | —  |
| Working capital                           | 11.4                                 | 10.2   | —  |
| <b>Total</b>                              | <b>45.5</b>                          | <b>45.5</b>  | <b>—</b>   |

Please also refer to note 16 to the Interim Condensed Consolidated Financial Statements in this interim report.

More details of the convertible notes were set out in the announcements of the Company dated 19 January 2021 and 24 May 2021, and the circular of the Company dated 30 June 2021.

### PROSPECTS

As the world begins to heal from the COVID-19 pandemic, we maintain a positive business outlook for 2021. Whilst there is always risk of renewed infection waves and potential new virus variants, national vaccinations programs are broadly underway, and governments are signalling that the world will be returning to a degree of normality by the summer. The International Monetary Fund is forecasting robust global growth, at 5.5% in 2021 and 4.2% in 2022. Personal savings rates are elevated which should support consumer spending, oil prices have stabilized and with a new administration in Washington, China-US trade tensions appear to be improving. This economic backdrop should be constructive for the Group.

Within our graphene products segment, we believe enhanced consumer spending together with global initiatives for sustainable energy will provide strong macro-economic drivers for our spherical graphite product. Government initiatives encouraging consumers to switch to from internal combustion engines to electric vehicles will bolster demand for lithium-ion batteries and positively impact the Lithium-ion supply chain, which includes our material. Initiatives to reduce global emissions and reverse climate change should further support Lithium-ion battery demand for renewable energy storage, as the world continues its transition from fossil fuel based electrical power generation to sustainable electrical power.

Further, we will continue to invest in the development and commercialisation of graphene volume production and graphene applications. The unique materials science properties of graphene offer extraordinary engineering solutions across medical, industrial, aerospace and consumer sectors.

## MANAGEMENT DISCUSSION AND ANALYSIS

In relation to our landscape architecture segment, the various external and domestic factors that affected Hong Kong's economy last year has somewhat abated. However, we believe any unforeseen future impact on the Group will be mild given the segment's relatively stable contract backlog of design projects. If necessary, employees can work from home during any disruptions. Furthermore, it is expected that the China may increase expenditure on public infrastructure to power economic recovery from the coronavirus, which will likely have a positive impact on our landscape architecture business.

As to the catering segment, the Group will continue to focus on the profitable operation and does not intend to grow the segment further.

2021 will certainly not be without its challenges, but we are optimistic about the opportunities the year presents. The Directors believe with the joint effort of our management and staff, we can grow the revenue streams of the Group and implement process and efficiency improvements. Furthermore, the Directors will continue to explore growth and investment opportunities that may generate additional income for the Group.

# OTHER INFORMATION

## DISCLOSURE OF INTERESTS

### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its associated corporations

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein; or (iii) are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange are as follows:

#### Long position in the Shares and underlying Shares

| Name of Director       | Capacity   | Number of Shares  |                 |                         |                | Number of underlying Shares held under the Share Option Scheme | Total       | Approximate % of shareholding |
|------------------------|--|-------------------|-----------------|-------------------------|----------------|--|-------------|-------------------------------|
|                        |  | Personal interest | Family interest | Corporate interest      | Other interest |  |             |                               |
| Chan Yick Yan Andross  | Beneficial owner, interest of controlled corporation                     | 4,204,000         | —               | 93,716,887 <sup>1</sup> | —              | 4,000,000  | 101,920,887 | 20.87%                        |
| Lau Hing Tat Patrick   | Beneficial owner, interest of spouse, interest of controlled corporation | 7,232,000         | 1,980,000       | 46,003,444 <sup>2</sup> | —              | 4,000,000  | 59,215,444  | 12.13%                        |
| Tian Ming              | Beneficial owner   | 4,930,000         | —               | —                       | —              | 4,000,000  | 8,930,000   | 1.83%                         |
| Tu Wenzhe <sup>3</sup> | Beneficial owner   | 1,000,000         | —               | —                       | —              | 4,000,000  | 5,000,000   | 1.02%                         |
| Yang Liu               | Beneficial owner   | —                 | —               | —                       | —              | 4,000,000  | 4,000,000   | 0.82%                         |
| Qiu Bin                | Beneficial owner   | —                 | —               | —                       | —              | 4,000,000  | 4,000,000   | 0.82%                         |

Notes:

- Such interests are held by CYY Holdings Limited, a company incorporated in the British Virgin Islands, of which Mr. Chan Yick Yan Andross is interested in the entire issued share capital.
- Such interests are held by LSBJ Holdings Limited, a company incorporated in the British Virgin Islands, of which Mr. Lau Hing Tat Patrick is interested in the entire issued share capital.
- Mr. Tu Wenzhe ceased to be a director on 5 August 2021.

**Long position in the shares of associated corporations of the Company**

| <b>Name of director</b> | <b>Name of associated corporation</b> | <b>Nature of interest</b> | <b>Number of shares and class of shares held</b> | <b>Approximate % of shareholding</b> |
|-------------------------|---------------------------------------|---------------------------|--|--------------------------------------|
| Chan Yick Yan Andross   | Ease Global Limited                   | Beneficial owner          | 9 (ordinary shares)                              | 9.90%                                |
|                         | Earthasia (International) Limited     | Beneficial owner          | 50 (ordinary shares)                             | 0.98%                                |
| Lau Hing Tat Patrick    | Earthasia (International) Limited     | Beneficial owner          | 50 (ordinary shares)                             | 0.98%                                |

Saved as disclosed above, as at 30 June 2021, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares**

As at 30 June 2021, so far as the Directors and chief executive of the Company are aware, other than the interests of the Directors and chief executive of the Company as disclosed in the section titled "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations", the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

## OTHER INFORMATION

## Long position in the shares

| Name of shareholder   | Capacity/nature of interest                          | Number of Shares | Approximate % of shareholding |
|---|--|------------------|-------------------------------|
| CYY Holdings Limited <sup>1</sup>                               | Beneficial owner                                     | 93,716,887       | 19.19%                        |
| PBLA Limited <sup>2</sup>                                       | Beneficial owner                                     | 75,223,669       | 15.41%                        |
| Pubang Landscape Architecture (HK) Company Limited <sup>2</sup> | Interest of controlled corporation                   | 75,223,669       | 15.41%                        |
| Pubang Landscape Architecture Company Limited <sup>2</sup>      | Interest of controlled corporation                   | 75,223,669       | 15.41%                        |
| LSBJ Holdings Limited <sup>3</sup>                              | Beneficial owner                                     | 46,003,444       | 9.42%                         |
| Gao Xin <sup>4</sup>  | Beneficial owner, interest of controlled corporation | 31,848,000       | 6.52%                         |
| Profit King Investment Development Limited <sup>4</sup>         | Beneficial owner                                     | 27,000,000       | 5.53%                         |

## Notes:

1. CYY Holdings Limited is 100% beneficially owned by Mr. Chan Yick Yan Andross. Accordingly, Mr. Chan Yick Yan Andross is deemed to be interested in the shares of the Company held by CYY Holdings Limited under the SFO.
2. PBLA Limited is 100% beneficially owned by Pubang Landscape Architecture (HK) Company Limited, which is in turn 100% beneficially owned by Pubang Landscape Architecture Company Limited. Accordingly, each of Pubang Landscape Architecture (HK) Company Limited and Pubang Landscape Architecture Company Limited is deemed to be interested in the Shares held by PBLA Limited under the SFO.
3. LSBJ Holdings Limited is 100% beneficially owned by Mr. Lau Hing Tat Patrick. Accordingly, Mr. Lau Hing Tat Patrick is deemed to be interested in the shares of the Company held by LSBJ Holdings Limited under the SFO.
4. Mr. Gao Xin holds 4,848,000 Shares by himself and 27,000,000 Shares through Profit King Investment Development Limited, a company incorporated in the British Virgin Islands. The issued share of Profit King Investment Development Limited is wholly owned by Mr. Gao Xin.



## DIRECTORS' INTERESTS IN COMPETING INTERESTS

Save as Mr. Ma Lida and Mr. Tu Wenzhe, our non-executive Directors nominated by Pubang Landscape Architecture Co., Ltd., whom are required to declare their conflict of interests and barred from participation or voting on issue if there is any potential conflict of interest between the Group and Pubang Landscape Architecture Co., Ltd., the Directors are not aware of any business or interest of the Directors, the controlling shareholder and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the six months ended 30 June 2021.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of Directors are set out below:

| Directors | Details of Changes  |
|-----------|---|
| Tu Wenzhe | Appointed as a non-executive Director since 28 January 2021<br>Appointed as a non-executive Director of Pubang Landscape Architecture Company Limited (stock code: 002663) since 1 April 2021<br>Ceased to be a non-executive Director on 5 August 2021 |

## SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted by the Company on 3 June 2014 and became effective on 25 June 2014. The Board may at its discretion grant share options to any qualifying participants to subscribe for shares in the Company, subject to the terms and conditions stipulated therein.

### Summary of the share option scheme

- Purposes** To provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.
- Qualifying participants** Any director, including independent non-executive director, of the Company and any entity in which the Group holds at least 20% of its shares (the "Invested Entity"), other employees of the Group or the Invested Entity, suppliers of goods or services to the Group or the Invested Entity, customers of the Group or the Invested Entity, person that provides technological support to the Group or the Invested Entity, shareholders of the Group or the Invested Entity, holders of any securities issued by the Group or the Invested Entity, advisor or consultant to the Group or the Invested Entity, and any non-controlling shareholder in the Company's subsidiaries.
- Maximum number of shares** The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at the listing date (i.e. 40,000,000 shares).

## OTHER INFORMATION

4. Maximum entitlement of each participant      The maximum number of shares issuable under share options to each eligible participant in the scheme within any 12-month period is limited to 1% of the shares of the Company in issue from time to time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.
- Any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in a general meeting.
5. Option period      The exercise period of the share options granted is determinable by the Board which shall not exceed ten years from the offer date subject to the provisions of early termination thereof. There is no minimum period for which a share option must be held before it can be exercised.
6. Acceptance of offer      The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee.
7. Exercise price      The exercise price of share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheet on the offer date; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of the shares on the offer date.
8. Remaining life of the scheme      It shall be valid and effective for a period of 10 years commencing on 3 June 2014.

All the options forfeited before expiry of the Share Option Scheme will be treated as lapsed options which will not be added back to the number of shares available to be issued under the Share Option Scheme.

## OTHER INFORMATION

A summary of the movements of the outstanding share options during the six months ended 30 June 2021 are as follows:

| Grantees                           | Date of grant | Vesting date | Exercisable period     | Exercise price (HK\$) | Number of Share Options |            |           |                   |                  |
|------------------------------------|---------------|--------------|------------------------|-----------------------|-------------------------|------------|-----------|-------------------|------------------|
|                                    |               |              |                        |                       | As at 01/01/2021        | Granted    | Exercised | Cancelled/ Lapsed | As at 30/06/2021 |
| <b>Directors</b>                   |               |              |                        |                       |                         |            |           |                   |                  |
| Lau Hing Tat Patrick <sup>1</sup>  | 28/1/2021     | 28/1/2021    | 28/1/2021 to 27/1/2026 | 0.65                  | -                       | 4,000,000  | -         | -                 | 4,000,000        |
| Chan Yick Yan Andross <sup>2</sup> | 28/1/2021     | 28/1/2021    | 28/1/2021 to 27/1/2026 | 0.65                  | -                       | 4,000,000  | -         | -                 | 4,000,000        |
| Tian Ming                          | 28/1/2021     | 28/1/2021    | 28/1/2021 to 27/1/2026 | 0.65                  | -                       | 4,000,000  | -         | -                 | 4,000,000        |
| Yang Liu                           | 28/1/2021     | 28/1/2021    | 28/1/2021 to 27/1/2026 | 0.65                  | -                       | 4,000,000  | -         | -                 | 4,000,000        |
| Qiu Bin                            | 28/1/2021     | 28/1/2021    | 28/1/2021 to 27/1/2026 | 0.65                  | -                       | 4,000,000  | -         | -                 | 4,000,000        |
| Tu Wenzhe <sup>3</sup>             | 28/1/2021     | 28/1/2021    | 28/1/2021 to 27/1/2026 | 0.65                  | -                       | 4,000,000  | -         | -                 | 4,000,000        |
| <b>Employee(s)</b>                 |               |              |                        |                       |                         |            |           |                   |                  |
| Other employee(s)                  | 28/1/2021     | 28/1/2021    | 28/1/2021 to 27/1/2026 | 0.65                  | -                       | 1,500,000  | -         | -                 | 1,500,000        |
| <b>Total</b>                       |               |              |                        |                       | -                       | 25,500,000 | -         | -                 | 25,500,000       |

Notes:

1. Mr. Lau Hing Tat Patrick was also a substantial shareholder of the Company during the reporting period.
2. Mr. Chan Yick Yan Andross was also the chief executive officer and a substantial shareholder of the Company during the reporting period.
3. Mr. Tu Wenzhe ceased to be a director on 5 August 2021.
4. The closing price of the Shares immediately before the date on which the options were granted was HK\$0.6.
5. No share options were cancelled or lapsed during the reporting period.

Save as disclosed above, at no time during the period under review was the Company or its subsidiaries a party to any arrangement that enabled the Directors or any of their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## OTHER INFORMATION

**SHARE AWARD SCHEME**

On 21 August 2014, the Company adopted a share award scheme (the "Share Award Scheme"). The principal objectives of the Share Award Scheme are (i) to recognise the contributions by employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. Details of the Share Award Scheme were set out in the announcements of the Company dated 21 August 2014, 5 January 2015 and 7 September 2015.

On 28 January 2021, 9,931,275 Shares were granted, accepted and vested to certain directors and other participants, which represented approximately 2.06% of the Company's shares in issue at that date. The fair value of the Shares granted was approximately HK\$5.9 million. For the six months ended 30 June 2021, the Group recognised expenses of approximately HK\$5.9 million (30 June 2020: nil) in the statement of profit and loss. Movements of the Share Award Scheme are also set out in note 17 to the Interim Condensed Consolidated Financial Statements in this interim report.

A summary of the movements of the share awards during the six months ended 30 June 2021 are as follows:

| Grantees                  | Date of grant | Vesting date | Number of Share Awards |                  |                  |                     |
|---------------------------|---------------|--------------|------------------------|------------------|------------------|---------------------|
|                           |               |              | As at<br>01/01/2021    | Granted          | Vested           | As at<br>30/06/2021 |
| <b>Directors</b>          |               |              |                        |                  |                  |                     |
| Tian Ming                 | 28/1/2021     | 28/1/2021    | –                      | 1,000,000        | 1,000,000        | –                   |
| Tu Wenzhe <sup>1</sup>    | 28/1/2021     | 28/1/2021    | –                      | 1,000,000        | 1,000,000        | –                   |
| <b>Other participants</b> |               |              |                        |                  |                  |                     |
| Other employee(s)         | 28/1/2021     | 28/1/2021    | –                      | 3,899,275        | 3,899,275        | –                   |
| Consultant(s)             | 28/1/2021     | 28/1/2021    | –                      | 4,032,000        | 4,032,000        | –                   |
| <b>Total</b>              |               |              | –                      | <b>9,931,275</b> | <b>9,931,275</b> | –                   |

Notes:

1. Mr. Tu Wenzhe ceased to be a director on 5 August 2021.
2. The closing price of the Shares on the date and immediately before the date on which the share awards were granted was HK\$0.59 and HK\$0.6 respectively.
3. No share awards were cancelled or lapsed during the reporting period.

## EIL SHARE AWARD SCHEME

On 19 January 2021, Earthasia (International) Limited, an indirect wholly-owned subsidiary of the Company, also adopted a share award scheme (the "EIL Share Award Scheme"). The purposes and objectives of the EIL Share Award Scheme are to recognise the contributions made or to be made by certain participants and to provide them with incentives in order to retain them for the continual operation and development of the Earthasia (International) Limited group and to attract suitable personnel for further development of the Earthasia (International) Limited group. Details of the EIL Share Award Scheme were set out in the announcements of the Company dated 19 January 2021.

On 28 January 2021, 100 shares were granted, accepted and vested to certain directors. Earthasia (International) Limited has allotted 100 new shares under the EIL Share Award Scheme, which represented approximately 1.96% of its enlarged shares in issue at that date. The fair value of the shares granted was approximately HK\$0.5 million. For the six months ended 30 June 2021, the Group recognised expenses of approximately HK\$0.5 million (30 June 2020: nil) in the statement of profit and loss.

A summary of the movements of the EIL share awards during the six months ended 30 June 2021 are as follows:

| Grantees                           | Date of grant | Vesting date | Number of EIL Share Awards |                         |                               |   |
|------------------------------------|---------------|--------------|----------------------------|-------------------------|-------------------------------|---|
|                                    |               |              | As at<br>01/01/2021        | Granted<br>and allotted | Vested<br>As at<br>30/06/2021 |   |
| <b>Directors</b>                   |               |              |                            |                         |                               |   |
| Lau Hing Tat Patrick <sup>1</sup>  | 28/1/2021     | 28/1/2021    | –                          | 50                      | 50                            | – |
| Chan Yick Yan Andross <sup>2</sup> | 28/1/2021     | 28/1/2021    | –                          | 50                      | 50                            | – |
| Total                              |               |              | –                          | 100                     | 100                           | – |

Notes:

1. Mr. Lau Hing Tat Patrick was also a substantial shareholder of the Company during the reporting period.
2. Mr. Chan Yick Yan Andross was also the chief executive officer and a substantial shareholder of the Company during the reporting period.
3. No EIL share awards were cancelled or lapsed during the reporting period.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") stated in Appendix 14 to the Listing Rules during the six months ended 30 June 2021. The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

## OTHER INFORMATION

### COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. After specific enquiry made by the Company, all of the Directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 June 2021.

### PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

### AUDIT COMMITTEE

The Company has established the Audit Committee to review and supervise the financial reporting process and internal Control procedures of the Group with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of four members namely, Mr. Liu Kwong Sang (an independent non-executive Director), Ms. Tam Ip Fong Sin (an independent non-executive Director), Mr. Wang Yuncai (an independent non-executive Director) and Mr. Ma Lida (a non-executive Director). The chairman of the Audit Committee is Mr. Liu Kwong Sang.

### REVIEW OF INTERIM RESULTS

The Group’s interim results for the six months ended 30 June 2021 have not been reviewed by external auditor but have been reviewed by the audit committee of the Company that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

### APPRECIATION

Finally, we would like to express our gratitude to the Shareholders, business partners, subconsultants and customers for their continuous support. We would also like to thank our dedicated staff for their contributions to the success of the Group.

**Lau Hing Tat Patrick**

*Chairman*

Hong Kong, 30 August 2021